Master Power Purchase & Sale Agreement

Version 2.1 (modified 4/25/00)

MASTER POWER PURCHASE AND SALES AGREEMENT

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MASTER POWER PURCHASE AND SALE AGREEMENT

COVER SHEET

This *Master Power Purchase and Sale Agreement* ("*Master Agreement*") is made as of the following date: April 23, 2001 ("Effective Date"). The *Master Agreement*, together with the exhibits, schedules and any written supplements hereto, the Party A Tariff, if any, the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any confirmations accepted in accordance with Section 2.3 hereto) shall be referred to as the "Agreement." The Parties to this *Master Agreement* are the following:

Name ("Alliance Colton LLC", a California limited liability company, or "Party A")

All Notices: Alliance Colton LLC

Attn: President

Street: 7950 South Lincoln Street

City: Littleton, Colorado Zip: 80122

Attn: Contract Administration
Phone: 303-730-2328
Facsimile: 303-730-2518
Duns: _____
Federal Tax ID Number:

Invoices:
Attn: Betty Laas
Phone: 303-730-2328
Facsimile: 303-730-2518

Scheduling:
Attn: Bruce Pohlman
Phone: 303-730-2328
Facsimile: 303-730-2518

Payments:
Attn: Betty Laas
Phone: 303-730-2328
Facsimile: 303-730-2518

Wire Transfer:
BNK:
ABA:
ACCT:

Credit and Collections:
Attn: Betty Laas

Name ("California Department of Water Resources, acting solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80260 of the Water Code (the "Act"), and not under its powers and responsibilities with respect to the State Water Resources Development System" or "Party B")

All Notices: California Department of Water Resources

Attn: Office of the Chief Counsel

Street: 1416 Ninth Street

City: Sacramento, California Zip: 95814

Attn: Executive Manager, Power Systems
Phone: 916-653-5913
Facsimile: 916-653-0267
Duns: _____
Federal Tax ID Number:

Invoices:
Attn: Contracts Payable
Phone: 916-653-6404
Facsimile: 916-654-9882

Scheduling:
Attn: Chief Water and Power Dispatcher
Phone: 916-574-2693
Facsimile: 916-574-2569

Payments:
Attn: Cash Receipts Section
Phone: 916-653-6892
Facsimile: 916-654-9882

Wire Transfer:
BNK:
ABA:
ACCT:

Credit and Collections:
Attn: Deputy Controller

Phone: 303-730-2328
Facsimile: 303-730-2518

Phone: 916-653-6148
Facsimile: 916-653-8230

With additional Notices of an Event of Default to:
Attn: GE Capital Services, Structured Finance Group, Inc., Attn: Manager of Operations
Phone: (203) 357-4799
Facsimile: (203) 357-6970

With additional Notices of an Event of Default to:
Attn: Deputy Controller
Phone: 916-653-6148
Facsimile: 916-653-8230

The Parties hereby agree that the General Terms and Conditions are incorporated herein, and to the following provisions as provided for in the General Terms and Conditions:

Party A Tariff Tariff [To Be Filed with FERC] Dated _____ Docket Number _____

Party B Tariff Tariff N/A Dated _____ Docket Number _____

Article Two

Transaction Terms and Conditions

[X] Optional provision in Section 2.4. If not checked, inapplicable.

Article Four

Remedies for Failure to Deliver or Receive

[] Accelerated Payment of Damages. If not checked, inapplicable.

Article Five

Events of Default; Remedies

[] Cross Default for Party A:

[] Party A:_____ Cross Default Amount $_____

[] Other Entity:_____ Cross Default Amount $_____

[] Cross Default for Party B:

[] Party B:_____ Cross Default Amount $_____

[] Other Entity:_____ Cross Default Amount $_____

5.6 Closeout Setoff

[] Option A (Applicable if no other selection is made.)

[] Option B - Affiliates shall have the meaning set forth in the Agreement unless otherwise specified as follows:_____

_____

[] Option C (No Setoff)

Article 8

Credit and Collateral Requirements

8.1 Party A Credit Protection:

(a) Financial Information:

[] Option A
[] Option B Specify: _____
[X] Option C Specify: .annual audit, annual budget and all financial information sent by Party B to any seller under a

power purchase agreement; Party B shall use reasonable commercial efforts to periodically prepare and make available to all sellers under power sales agreements, but not more frequently than quarterly, financial information reasonably intended to apprise all such sellers of the financial condition of the Fund.

(b) Credit Assurances:

[X] Not Applicable
[] Applicable

(c) Collateral Threshold:

[X] Not Applicable
[] Applicable

If applicable, complete the following:

Party B Collateral Threshold: $ _____; provided, however, that Party B's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party B has occurred and is continuing.

Party B Independent Amount: $_____

Party B Rounding Amount: $_____

(d) Downgrade Event:

[X] Not Applicable
[] Applicable

If applicable, complete the following:

[] It shall be a Downgrade Event for Party B if Party B's Credit Rating falls below _____ from S&P or _____ from Moody's or if Party B is not rated by either S&P or Moody's

[] Other:
Specify:_____

(e) Guarantor for Party B:_____

Guarantee Amount:_____

8.2 Party B Credit Protection:

(a) Financial Information:

[] Option A
[] Option B Specify: _____
[X] Option C Specify: Annual audited financial statements, annual budget of Party A

(b) Credit Assurances:

[X] Not Applicable
[] Applicable

(c) Collateral Threshold:

[X] Not Applicable
[] Applicable

If applicable, complete the following:

Party A Collateral Threshold: $ _____; provided, however, that Party A's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party A has occurred and is continuing.

Party A Independent Amount: $_____

Party A Rounding Amount: $_____

(d) Downgrade Event:

[X] Not Applicable
[] Applicable

If applicable, complete the following:

[] It shall be a Downgrade Event for Party A if Party A's Credit Rating falls below _____ from S&P or _____ from Moody's or if Party A is not rated by either S&P or Moody's

[] Other:
Specify:_____

(e) Guarantor for Party A:_____

Guarantee Amount:_____

Article 10

Confidentiality

[x] Confidentiality Applicable If not checked, inapplicable.

Schedule M

[] Party A is a Governmental Entity or Public Power System
[X] Party B is a Governmental Entity or Public Power System
[X] Add Section 3.6. If not checked, inapplicable
[] Add Section 8.4. If not checked, inapplicable

Other Changes

Specify, if any:

(a) Definitions.

(1) Section 1.3, "Bankrupt" shall be amended by adding "where such entity is the debtor" immediately after "reorganization or similar law" and

immediately before ", or has any such petition".

(2) Section 1.11 is amended by adding the following sentence at the end of the current definition: "The Non-Defaulting Party shall use commercially reasonable efforts to mitigate or eliminate these Costs."

(3) Section 1.23(iii), "Force Majeure" shall be amended by adding "of Product unless that loss or failure is a result of Force Majeure" immediately after " the loss or failure of Seller's supply" and immediately before "; or (iv) Seller's ability to sell Product at a price greater than the Contract Price."

(4) Section 1.27, "Letter(s) of Credit" shall be amended, immediately after the words in the first sentence "in whose favor the letter of credit is issued", by adding the words "or a guaranty by an entity with such credit rating in a form reasonably acceptable to such Party."

(5) Section 1.51, "Replacement Price" shall be amended on the fifth line by deleting the phrase "at Buyer's option" and inserting the following phrase: "absent a purchase".

(6) Section 1.53, "Sales Price" shall be amended on the fifth line by deleting the phrase "at Seller's option" and inserting the following phrase: "absent a sale".

(7) Sections 1.6, 1.13, 1.17, 1.24, 1.25, 1.28, 1.33, 1.34, 1.35, 1.36, 1.37, 1.38, 1.44, 1.46, 1.48, 1.56 and 1.57 are amended by deleting the text in each of such sections and substituting therefor "[Intentionally omitted.]"

(8) Section 1.59 is amended by changing "Section 5.3" to "Section 5.2."

(9) Sections 1.62 through 1.69 are added to Article One as follows:

1.62 "Fund" means the Department of Water Resources Electric Power Fund established by Section 80200 of the Water Code.

1.63 "Market Quotation Average Price" shall mean the average of the good faith quotations solicited from not less than three (3) Reference Market-makers; provided, however, that the Party soliciting such quotations shall use commercially reasonable efforts to obtain good faith quotations from at least five (5) Reference Market-makers and, if at least five (5) such quotations are obtained, the Market Quotation Average Price shall be determined disregarding the highest and lowest quotations.

1.64 "Market Value" shall have the meaning set forth in Section 5.3.

1.65 "Per Unit Market Price" means the applicable price per MWh determined in accordance with Section 5.3.

1.66 "Reference Market-maker" means any marketer, trader or seller of or dealer in firm energy products whose long-term unsecured senior debt is rated BBB or better by Standard & Poor's and Baa2 or better by Moody's Investor Services.

1.67 "Replacement Contract" means a contract having a term, quantity, delivery rate, delivery point, product, credit risk, and other material terms substantially similar to the remaining Term, quantity, delivery rate, Delivery Point, Product, credit risk and other material terms to be provided under this Agreement.

1.68 "2001A Transaction" means the Transaction described in the attached Confirmation, including the Supplement attached thereto, dated as of the Effective Date of this Master Agreement.

1.69 "Trust Estate" means all revenues under any obligation entered into, and rights to receive the same, and moneys on deposit in the Fund and income or revenue derived from the investment thereof.

(b) Transactions. Section 2.1 is replaced in its entirety by the following:

2.1 Transactions. A Transaction shall be entered into upon agreement of the Parties in writing and this agreement may not be orally amended or modified, including by Recording pursuant to Section 2.5.

(c) Governing Terms. Section 2.2 is amended by adding the following sentence at the end of the current section:

"Notwithstanding the foregoing, the 2001A Transaction shall be treated as a stand-alone Transaction and accordingly, (a) provisions in the Master Agreement referring to offsetting or netting multiple Transactions shall not be applicable to the 2001A Transaction, and (b) an Event of Default with respect to any Transaction other than the 2001A Transaction shall not affect the 2001A Transaction. Except for the attached Confirmation, including the Supplement attached thereto, dated as of the Effective Date of this Master Agreement, no provision of any Confirmation entered into pursuant to Section 2.4 shall affect the 2001A Transaction. Any inconsistency between any terms of this Master Agreement and any terms of the attached Confirmation, including the Supplement attached thereto, dated as of the Effective Date of this Master Agreement, shall be resolved in favor of the terms of such Confirmation, including the Supplement attached thereto."

(d) Force Majeure. Section 3.3 is amended by adding two additional sentences to the end of the current section:

"Delays in performance will be of no greater scope and no longer

duration than the duration directly caused by the Force Majeure. The Claiming Party shall provide regular written progress reports to the non-Claiming Party describing actions to be taken and timing of the expected date that the Force Majeure will end."

(e) Events of Default, Declaration of an Early Termination Date and Calculation of Termination Payment.

(1) In Section 5.1(c), the cure period of "three (3) Business Days after written notice" is replaced in its entirety by "ninety (90) days after written notice". The Parties agree that this ninety (90) day cure period shall not apply to any Event of Default as defined in any provision of the Master Agreement other than Section 5.1(c) of the Master Agreement.

(2) The last sentence of Section 5.2 is replaced in its entirety by the following:

"The Non-Defaulting Party shall be entitled to a payment upon termination of this Agreement as the result of an Event of Default (the "Termination Payment") which shall be the aggregate of the Market Value and Costs calculated in accordance with Section 5.3, which shall be paid no later than one hundred eighty (180) days after receipt of written notice of an Early Termination Date; provided, however, that if the Termination Payment calculated in accordance with Section 5.3 is a negative number, then, notwithstanding any other provision of this Master Agreement, the Non-Defaulting Party shall not be obligated to make any payment of such Termination Payment to the Defaulting Party. Prior to receipt of such notice of termination by the Defaulting Party, the Non-Defaulting Party may exercise any remedies available to it at law or otherwise, including, but not limited to, the right to seek injunctive relief to prevent irreparable injury to the Non-Defaulting Party."

(3) The following shall be added to the end of Section 5.2 (as amended by clause (2) immediately above):

"Notwithstanding the other provisions of this Agreement, if the Non-Defaulting Party has the right to liquidate or terminate all obligations arising under this Agreement under the provisions of this Article 5 because the Defaulting Party either (a) is the subject of a bankruptcy, insolvency, or similar proceeding, or (b) applies for, seeks, consents to, or acquiesces in the appointment of a receiver, custodian, trustee, liquidator, or similar official for all or a substantial portion of its assets, then this Agreement and the Transaction shall automatically terminate, without notice, as if the Early Termination Date was the day immediately preceding the events listed in Section 5.1."

(4) Section 5.3 is replaced in its entirety by the following:

"5.3. Termination Payment Calculations. The Non-Defaulting Party shall calculate the Termination Payment as follows:

(a) Market Value shall be (i) in the case Party B is the Non-Defaulting Party, the present value of the positive difference, if any, of (A) payments under a Replacement Contract based on the Per Unit Market Price, and (B) payments under this Agreement, or (ii) in the case Party A is the Non-Defaulting Party, the present value of the positive difference, if any, of (A) payments under this Agreement, and (B) payments under a Replacement Contract based on the Per Unit Market Price, in each case using the Present Value Rate as of the time of termination (to take account of the period between the time notice of termination was effective and when such amount would have otherwise been due pursuant to the relevant transaction). The "Present Value Rate" shall mean the sum of 0.50% plus the yield reported on page "USD" of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in United States government securities) at 11:00 a.m. (New York City, New York time) for the United States government securities having a maturity that matches the average remaining term of this Agreement. It is expressly agreed that the Non-Defaulting Party shall not be required to enter into a Replacement Contract in order to determine the Termination Payment.

(b) To ascertain the Per Unit Market Price of a Replacement Contract with a term of less than one year, the Non-Defaulting Party may consider, among other valuations, quotations from leading dealers in energy contracts, the settlement prices on established, actively traded power exchanges, other bona fide third party offers and other commercially reasonable market information.

(c) To ascertain the Per Unit Market Price of a Replacement Contract with a term of one year or more, the Non-Defaulting Party shall use the Market Quotation Average Price; provided, however, that if there is an actively traded market for such Replacement Contract or if the Non-Defaulting Party is unable to obtain reliable quotations from at least three (3) Reference Market-makers, the Non-Defaulting Party shall use the methodology set forth in paragraph (b).

(d) In no event, however, shall a party's Market Value or Costs include any penalties, ratcheted demand charges or similar charges imposed by the Non-Defaulting Party.

If the Defaulting Party disagrees with the calculation of the Termination Payment and the parties cannot otherwise resolve their differences, the calculation issue shall be submitted to dispute resolution as provided in Section 10.13 of this Agreement. Pending resolution of the dispute, the Defaulting Party shall pay the full amount of the Termination Payment

calculated by the Non-Defaulting Party no later than one hundred eighty (180) days after receipt of written notice of an Early Termination Date."

(5) Section 5.7 is replaced in its entirety by the following:

"5.7. Suspension of Performance. Notwithstanding any other provision of this Master Agreement, if an Event of Default shall have occurred and be continuing, the Non-Defaulting Party, upon written notice to the Defaulting Party, shall have the right (i) to suspend performance under any or all Transactions, and (ii) to the extent an Event of Default shall have occurred and be continuing to exercise any remedy available at law or in equity, including any right under Section 5.2 of this Agreement; provided, however, that any such suspension by the Non-Defaulting Party shall not continue for longer than ten (10) Business Days with respect to any single Transaction unless an Early Termination Date shall have been declared and notice thereof pursuant to Section 5.2 given; provided, further, that if Party B is the Defaulting Party and the Event of Default is an event described in Section 5.1(a) or Section 5.1(d), then Party A may continue to suspend performance under any or all Transactions for as long as such Event of Default is continuing and has not been fully remedied and Party A may, at any time during such suspension, elect to declare an Early Termination Date under Section 5.2 of this Agreement.

(6) Sections 5.4, 5.5, 5.6, 6.7, and 6.8 are amended by deleting the text in each of such sections and substituting therefor "[Intentionally omitted.]"

(f) Limitation of Remedies, Liability and Damages. The fifth sentence of Section 7.1 is amended immediately after the words "OR INDIRECT DAMAGES, LOST PROFITS" by adding the following parenthetical phrase "(EXCEPT TO THE EXTENT THAT ANY PORTION OF ANY CONTRACT PRICE OR ANY TERMINATION PAYMENT OWED HEREUNDER IS CONSIDERED TO BE "LOST PROFITS")".

(g) Governmental Charges. The first sentence in Section 9.2 shall be deleted and the second sentence shall be replaced in its entirety by the following:

"Buyer shall pay or cause to be paid all taxes imposed by any government authority ("Governmental Charges") on or with respect to the Product or a Transaction (other than franchise or income taxes which are related to the sale of the Product and are, therefore, the responsibility of the Seller) that result in taxes payable by Seller being greater than those in effect on the date of this Agreement. Buyer shall receive a credit for any reduction in such Governmental Charges that result in taxes payable by Seller being less than those in effect on the date of this Agreement.

The last sentence in Section 9.2 shall be deleted.

(h) Term of Master Agreement. Add the following sentence to Section

10.1: "The 2001A Transaction shall terminate on the day following the last day of the Delivery Period, unless terminated sooner pursuant to the express provisions of this Agreement or as a result of an Event of Default".

(i) Representations and Warranties. Party B shall not be deemed to make the representations set forth in clauses (ix) and (xi) of Section 10.2.

A new Section 10.2(xiii) is added. Party A represents and warrants to Party B that (A) it is standard business practice in jurisdictions where sellers in power sales transactions believe there to be political risk, to provide in transactions with non-government entities that future changes in taxes are generally borne by the customer in a power sales transaction; (B) no change in tax law has been included in Party A's price under the 2001A Transaction; and (C) if the taxes that would be paid by Party A, other than income taxes, are reduced, then Party A shall pass all of such tax reduction on to Party B.

(j) Indemnity. The phrase "To the extent permitted by law" is added at the beginning of the first two sentences of Section 10.4.

(k) Assignment.

(1) In Section 10.5, the phrase "either Party may, without the consent of the other Party (and without relieving itself from liability hereunder)" shall be replaced with "Party A (or, with respect to clause (i) or (iv), Party B) may, without the consent of the other Party" and add the following clause (iv) in the first proviso in Section 10.5: "or (iv) transfer and assign all of its right, title and interest to this Agreement and the Fund to another governmental entity created or designated by law to carry out the rights, powers, duties and obligations of the Department under the Act;"

(2) Add the following proviso to the end of Section 10.5: ";provided, further, however, that in the event this Agreement is pledged or assigned to a bond trustee pursuant to clause (i) as collateral for bonds issued by Party B, such bond trustee shall not be required to agree in writing to be bound by the terms and conditions hereof."

(l) Governing Law. In Section 10.6, "New York" shall be replaced with "California."

(m) Confidentiality. The following proviso is added to the end of the first sentence in Section 10.11: "provided, further, that either Party may publicly disclose the type and quantity of Product(s), the pricing of such Product(s) and the term of the Agreement or any Transaction without identification of the name or physical site of any generating facilities or the counter parties associated with the Agreement; provided, still further, that Buyer may only release information about Seller in the aggregate with information about other sellers, such that no individual seller of any Product, including Seller hereunder, its physical site or the price of its Product can be identified."

(n) General. The phrase "Except to the extent herein provided for," shall be deleted from the fourth sentence of Section 10.8, and the phrase "and this agreement may not be orally amended or modified, including by Recording pursuant to Section 2.5" shall be added to the end of such

fourth sentence**.**

(o) Additional Provisions. New Section 10.12 and new Section 10.13 are added to Article 10 as follows:

"10.12. No Retail Services; No Agency. (a) Nothing contained in this Agreement shall grant any rights to or obligate Party A to provide any services hereunder directly to or for retail customers of any person.

(b) In performing their respective obligations hereunder, neither Party is acting, nor is authorized to act, as agent of the other Party."

"10.13. Dispute Resolution. (a) Party A and Party B agree that any dispute between them shall first be submitted to senior management for resolution in accordance with Section 10.13(b) and if such dispute remains unresolved thereunder, then either Party may elect to resolve such dispute in the courts of the State of California.

(b) Any dispute between the Parties under this Agreement first shall be referred for resolution to a senior management representative of each Party, each of which senior management representatives shall have sufficient authority to agree to a settlement of such dispute on behalf of its respective Party; provided, however, that certain decisions relating to Party B's activities require approval by its governing board and, in the event Party B's legal counsel determines that resolution of a dispute which is satisfactory to Buyer and Seller at the senior management level requires governing board approval, the recommendation will be submitted to Party B's governing board. The decision of the governing board, if required, shall be deemed the decision of Party B's senior management, for purposes of this Section 10.13(b). Upon receipt of a notice that a dispute is to be resolved by the Parties' senior management representatives, which notice shall also name the notifying Party's senior management representative, the other Party shall promptly notify the notifying Party of the name of its senior management representative. The senior management representatives so designated shall attempt to resolve the dispute on an informal basis as promptly as practicable, but in any event within sixty (60) days after the notifying Party first submitted to the other Party its notice of referral of such dispute to senior management, unless the final decision is determined to require approval by Party B's governing board, in which event the period shall be extended to ninety (90) days after the notifying Party first submitted to the other Party its notice of referral of such dispute to senior management.

(c) During the conduct of dispute resolution procedures pursuant to this Section 10.13, (i) the Parties shall continue to perform their respective obligations under this

Agreement, and (ii) neither Party shall exercise any other remedies hereunder arising by virtue of the matters in dispute; provided, however, that nothing in this Section 10.13 shall be construed to prevent Party A from suspending performance in the event that Party B has not paid undisputed amounts due and owing to Party A under this Agreement.

(p) Schedule M. Schedule M shall be amended as follows:

(1) In Section A, the defined term "Act" will mean Sections 80000, 80002, 80002.5, 80003, 80004, 80010, 80012, 80014, 80016, 80100, 80102, 80104, 80106, 80108, 80110, 80112, 80114, 80116, 80120, 80122, 80130, 80132, 80134, 80200, 80250, 80260 and 80270 of the Water Code.

(2) In Section A, the defined term "Special Fund" will mean the Fund.

(3) In Section A, the defined term "Governmental Entity or Public Power System" shall be replaced with the term "Governmental Entity" using the following definition "'Governmental Entity' means the State of California Department of Water Resources separate and apart from its powers and responsibilities with respect to the State Water Resources Development System"; and all references to (A) "Governmental Entity or Public Power System" (and cognates) and (B) "Public Power System" (and cognates) in Schedule M shall be replaced with the new defined term "Governmental Entity" (using the applicable cognate).

(4) In Section B, the sentence added to the end of the definition of "Force Majeure" shall be amended immediately after the words "in its governmental capacity" by adding to the end of such sentence "or by the State of California or any department or political subdivision thereof acting within its authorization from the State of California."

(5) In Section D, delete Section 3.5 and replace it with the following:

Section 3.5 No Immunity Claim. California law authorizes suits based on contract against the State or its agencies, and Party B agrees that it will not assert any immunity it may have as a state agency against such lawsuits filed in state court.

(6) In Section G, specify that the laws of the State of California will apply.

(7) Add a new Section H, which shall read as follows:

"H. The Parties agree to add the following sections to

Article Three:

"Section 3.8. Payments Under Agreement an Operating Expense. Payments under this Agreement shall constitute an operating expense of the Fund payable prior to all bonds, notes or other indebtedness secured by a pledge or assignment of the Trust Estate or payments to the general fund."

"Section 3.9. Rate Covenant; No Impairment. In accordance with Section 80134 of the Water Code, Party B covenants that it will, at least annually, and more frequently as required, establish and revise revenue requirements sufficient, together with any moneys on deposit in the Fund, to provide for the timely payment of all obligations which it has incurred, including any payments required to be made by Party B pursuant to this Agreement. As provided in Section 80200 of the Water Code, while any obligations of Party B pursuant to this Agreement remain outstanding and not fully performed or discharged, the rights, powers, duties and existence of Party B and the Public Utilities Commission shall not be diminished or impaired in any manner that will affect adversely the interests and rights of the Seller under this Agreement."

"Section 3.10. No More Favorable Terms. Party B shall not provide in any power purchase agreement payable from the Trust Estate for (i) collateral or other security or credit support with respect thereto, (ii) a pledge or assignment of the Trust Estate for the payment thereof, or (iii) payment priority with respect thereto superior to that of Party A, without in each case offering such arrangements to Party A."

"Section 3.11. Sources of Payment; No Debt of State. Party B's obligation to make payments hereunder shall be limited solely to the Fund. Any liability of Party B arising in connection with this Agreement or any claim based thereon or with respect thereto, including, but not limited to, any Termination Payment arising as the result of any breach or Event of Default under this Agreement, and any other payment obligation or liability of or judgment against Party B hereunder, shall be satisfied solely from the Fund. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA ARE OR MAY BE PLEDGED FOR ANY PAYMENT UNDER THIS AGREEMENT. Revenues and assets of the State Water Resources Development System shall not be liable for or available to make any payments or satisfy any obligation arising under this Agreement."

"Section 3.12. Application of Government Code and the

Public Contracts Code. Party A has stated that, because of the administrative burden and delays associated with such requirements, it would not enter into this Agreement if the provisions of the Government Code and the Public Contracts Code applicable to state contracts, including, but not limited to, advertising and competitive bidding requirements and prompt payment requirements, would apply to or be required to be incorporated in this Agreement. Accordingly, pursuant to Section 80014(b) of the Water Code, Party B has determined that it would be detrimental to accomplishing the purposes of Division 27 (commencing with Section 80000) of the Water Code to make such provisions applicable to this Agreement and that such provisions and requirements are therefore not applicable to or incorporated in this Agreement."

IN WITNESS WHEREOF, the Parties have caused this Master Agreement to be duly executed as of the date first above written.

Party A Name	Party B Name
Alliance Colton LLC	California Department of Water Resources, acting solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80260 of the Water Code (the "Act"), and not under its powers and responsibilities with respect to the State Water Resources Development System
By:_____	By:_____
Name: _____	Name: _____
Title: _____	Title: _____

DISCLAIMER: This Master Power Purchase and Sale Agreement was prepared by a committee of representatives of Edison Electric Institute ("EEI") and National Energy Marketers Association ("NEM") member companies to facilitate orderly trading in and development of wholesale power markets. Neither EEI nor NEM nor any member company nor any of their agents, representatives or attorneys shall be responsible for its use, or any damages resulting therefrom. By providing this Agreement EEI and NEM do not offer legal advice and all users are urged to consult their own legal counsel to ensure that their commercial objectives will be achieved and their legal interests are adequately protected.

GENERAL TERMS AND CONDITIONS

ARTICLE I. GENERAL DEFINITIONS

1.1. "Affiliate" means, with respect to any person, any other person (other than an individual) that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such person. For this purpose, "control" means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

1.2. "Agreement" has the meaning set forth in the Cover Sheet.

1.3. "Bankrupt" means with respect to any entity, such entity (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it, (ii) makes an assignment or any general arrangement for the benefit of creditors, (iii) otherwise becomes bankrupt or insolvent (however evidenced), (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets, or (v) is generally unable to pay its debts as they fall due.

1.4. "Business Day" means any day except a Saturday, Sunday, or a Federal Reserve Bank holiday. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for the relevant Party's principal place of business. The relevant Party, in each instance unless otherwise specified, shall be the Party from whom the notice, payment or delivery is being sent and by whom the notice or payment or delivery is to be received.

1.5. "Buyer" means the Party to a Transaction that is obligated to purchase and receive, or cause to be received, the Product, as specified in the Transaction.

1.6. "Call Option" means an Option entitling, but not obligating, the Option Buyer to purchase and receive the Product from the Option Seller at a price equal to the Strike Price for the Delivery Period for which the Option may be exercised, all as specified in the Transaction. Upon proper exercise of the Option by the Option Buyer, the Option Seller will be obligated to sell and deliver the Product for the Delivery Period for which the Option has been exercised.

1.7. "Claiming Party" has the meaning set forth in Section 3.3.

1.8. "Claims" means all third party claims or actions, threatened or filed and, whether groundless, false, fraudulent or otherwise, that directly or indirectly relate to the subject matter of an indemnity, and the resulting losses, damages, expenses, attorneys' fees and court costs, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement.

1.9. "Confirmation" has the meaning set forth in Section 2.3.

1.10. "Contract Price" means the price in $U.S. (unless otherwise provided for) to be paid by Buyer to Seller for the purchase of the Product, as specified in the Transaction.

1.11. "Costs" means, with respect to the Non-Defaulting Party, brokerage fees, commissions and other similar third party transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace a Terminated Transaction; and all reasonable attorneys' fees and expenses incurred by the Non-Defaulting Party in connection with the termination of a Transaction.

1.12. "Credit Rating" means, with respect to any entity, the rating then assigned to such entity's unsecured, senior long-term debt obligations (not supported by third party credit enhancements) or if such entity does not have a rating for its senior unsecured long-term debt, then the rating then assigned to such entity as an issues rating by S&P, Moody's or any other rating agency agreed by the Parties as set forth in the Cover Sheet.

1.13. "Cross Default Amount" means the cross default amount, if any, set forth in the Cover Sheet for a Party.

1.14. "Defaulting Party" has the meaning set forth in Section 5.1.

1.15. "Delivery Period" means the period of delivery for a Transaction, as specified in the Transaction.

1.16. "Delivery Point" means the point at which the Product will be delivered and received, as specified in the Transaction.

1.17. "Downgrade Event" has the meaning set forth on the Cover Sheet.

1.18. "Early Termination Date" has the meaning set forth in Section 5.2.

1.19. "Effective Date" has the meaning set forth on the Cover Sheet.

1.20. "Equitable Defenses" means any bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally, and with regard to equitable remedies, the discretion of the court before which proceedings to obtain same may be pending.

1.21. "Event of Default" has the meaning set forth in Section 5.1.

1.22. "FERC" means the Federal Energy Regulatory Commission or any successor government agency.

1.23. "Force Majeure" means an event or circumstance which prevents one Party from performing its obligations under one or more Transactions, which event or circumstance was not anticipated as of the date the Transaction was agreed to, which is not within the reasonable control of, or the result of the negligence of, the Claiming Party, and which, by the exercise of

due diligence, the Claiming Party is unable to overcome or avoid or cause to be avoided. Force Majeure shall not be based on (i) the loss of Buyer's markets; (ii) Buyer's inability economically to use or resell the Product purchased hereunder; (iii) the loss or failure of Seller's supply; or (iv) Seller's ability to sell the Product at a price greater than the Contract Price. Neither Party may raise a claim of Force Majeure based in whole or in part on curtailment by a Transmission Provider unless (i) such Party has contracted for firm transmission with a Transmission Provider for the Product to be delivered to or received at the Delivery Point and (ii) such curtailment is due to "force majeure" or "uncontrollable force" or a similar term as defined under the Transmission Provider's tariff; provided, however, that existence of the foregoing factors shall not be sufficient to conclusively or presumptively prove the existence of a Force Majeure absent a showing of other facts and circumstances which in the aggregate with such factors establish that a Force Majeure as defined in the first sentence hereof has occurred. The applicability of Force Majeure to the Transaction is governed by the terms of the Products and Related Definitions contained in Schedule P.

1.24. "Gains" means, with respect to any Party, an amount equal to the present value of the economic benefit to it, if any (exclusive of Costs), resulting from the termination of a Terminated Transaction, determined in a commercially reasonable manner.

1.25. "Guarantor" means, with respect to a Party, the guarantor, if any, specified for such Party on the Cover Sheet.

1.26. "Interest Rate" means, for any date, the lesser of (a) the per annum rate of interest equal to the prime lending rate as may from time to time be published in *The Wall Street Journal* under "Money Rates" on such day (or if not published on such day on the most recent preceding day on which published), plus two percent (2%) and (b) the maximum rate permitted by applicable law.

1.27. "Letter(s) of Credit" means one or more irrevocable, transferable standby letters of credit issued by a U.S. commercial bank or a foreign bank with a U.S. branch with such bank having a credit rating of at least A- from S&P or A3 from Moody's, in a form acceptable to the Party in whose favor the letter of credit is issued. Costs of a Letter of Credit shall be borne by the applicant for such Letter of Credit.

1.28. "Losses" means, with respect to any Party, an amount equal to the present value of the economic loss to it, if any (exclusive of Costs), resulting from termination of a Terminated Transaction, determined in a commercially reasonable manner.

1.29. "Master Agreement" has the meaning set forth on the Cover Sheet.

1.30. "Moody's" means Moody's Investor Services, Inc. or its successor.

1.31. "NERC Business Day" means any day except a Saturday, Sunday or a holiday as defined by the North American Electric Reliability Council or any successor organization thereto. A NERC Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for the relevant Party's principal place of business. The relevant Party, in each instance unless

otherwise specified, shall be the Party from whom the notice, payment or delivery is being sent and by whom the notice or payment or delivery is to be received.

1.32. "Non-Defaulting Party" has the meaning set forth in Section 5.2.

1.33. "Offsetting Transactions" mean any two or more outstanding Transactions, having the same or overlapping Delivery Period(s), Delivery Point and payment date, where under one or more of such Transactions, one Party is the Seller, and under the other such Transaction(s), the same Party is the Buyer.

1.34. "Option" means the right but not the obligation to purchase or sell a Product as specified in a Transaction.

1.35. "Option Buyer" means the Party specified in a Transaction as the purchaser of an option, as defined in Schedule P.

1.36. "Option Seller" means the Party specified in a Transaction as the seller of an option , as defined in Schedule P.

1.37. "Party A Collateral Threshold" means the collateral threshold, if any, set forth in the Cover Sheet for Party A.

1.38. "Party B Collateral Threshold" means the collateral threshold, if any, set forth in the Cover Sheet for Party B.

1.39. "Party A Independent Amount" means the amount , if any, set forth in the Cover Sheet for Party A.

1.40. "Party B Independent Amount" means the amount , if any, set forth in the Cover Sheet for Party B.

1.41. "Party A Rounding Amount" means the amount, if any, set forth in the Cover Sheet for Party A.

1.42. "Party B Rounding Amount" means the amount, if any, set forth in the Cover Sheet for Party B.

1.43. "Party A Tariff" means the tariff, if any, specified in the Cover Sheet for Party A.

1.44. "Party B Tariff" means the tariff, if any, specified in the Cover Sheet for Party B.

1.45. "Performance Assurance" means collateral in the form of either cash, Letter(s) of Credit, or other security acceptable to the Requesting Party.

1.46. "Potential Event of Default" means an event which, with notice or passage of time or both, would constitute an Event of Default.

1.47. "Product" means electric capacity, energy or other product(s) related thereto as specified in a Transaction by reference to a Product listed in Schedule P hereto or as otherwise specified by the Parties in the Transaction.

1.48. "Put Option" means an Option entitling, but not obligating, the Option Buyer to sell and deliver the Product to the Option Seller at a price equal to the Strike Price for the Delivery Period for which the option may be exercised, all as specified in a Transaction. Upon proper exercise of the Option by the Option Buyer, the Option Seller will be obligated to purchase and receive the Product.

1.49. "Quantity" means that quantity of the Product that Seller agrees to make available or sell and deliver, or cause to be delivered, to Buyer, and that Buyer agrees to purchase and receive, or cause to be received, from Seller as specified in the Transaction.

1.50. "Recording" has the meaning set forth in Section 2.4.

1.51. "Replacement Price" means the price at which Buyer, acting in a commercially reasonable manner, purchases at the Delivery Point a replacement for any Product specified in a Transaction but not delivered by Seller, plus (i) costs reasonably incurred by Buyer in purchasing such substitute Product and (ii) additional transmission charges, if any, reasonably incurred by Buyer to the Delivery Point, or at Buyer's option, the market price at the Delivery Point for such Product not delivered as determined by Buyer in a commercially reasonable manner; provided, however, in no event shall such price include any penalties, ratcheted demand or similar charges, nor shall Buyer be required to utilize or change its utilization of its owned or controlled assets or market positions to minimize Seller's liability. For the purposes of this definition, Buyer shall be considered to have purchased replacement Product to the extent Buyer shall have entered into one or more arrangements in a commercially reasonable manner whereby Buyer repurchases its obligation to sell and deliver the Product to another party at the Delivery Point.

1.52. "S&P" means the Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.) or its successor.

1.53. "Sales Price" means the price at which Seller, acting in a commercially reasonable manner, resells at the Delivery Point any Product not received by Buyer, deducting from such proceeds any (i) costs reasonably incurred by Seller in reselling such Product and (ii) additional transmission charges, if any, reasonably incurred by Seller in delivering such Product to the third party purchasers, or at Seller's option, the market price at the Delivery Point for such Product not received as determined by Seller in a commercially reasonable manner; provided, however, in no event shall such price include any penalties, ratcheted demand or similar charges, nor shall Seller be required to utilize or change its utilization of its owned or controlled assets, including contractual assets, or market positions to minimize Buyer's liability. For purposes of this definition, Seller shall be considered to have resold such Product to the extent Seller shall have entered into one or more arrangements in a commercially reasonable manner whereby Seller repurchases its obligation to purchase and receive the Product from another party at the Delivery Point.

1.54. "Schedule" or "Scheduling" means the actions of Seller, Buyer and/or their designated representatives, including each Party's Transmission Providers, if applicable, of notifying, requesting and confirming to each other the quantity and type of Product to be delivered on any given day or days during the Delivery Period at a specified Delivery Point.

1.55. "Seller" means the Party to a Transaction that is obligated to sell and deliver, or cause to be delivered, the Product, as specified in the Transaction.

1.56. "Settlement Amount" means, with respect to a Transaction and the Non-Defaulting Party, the Losses or Gains, and Costs, expressed in U.S. Dollars, which such party incurs as a result of the liquidation of a Terminated Transaction pursuant to Section 5.2.

1.57. "Strike Price" means the price to be paid for the purchase of the Product pursuant to an Option.

1.58. "Terminated Transaction" has the meaning set forth in Section 5.2.

1.59. "Termination Payment" has the meaning set forth in Section 5.3.

1.60. "Transaction" means a particular transaction agreed to by the Parties relating to the sale and purchase of a Product pursuant to this Master Agreement.

1.61. "Transmission Provider" means any entity or entities transmitting or transporting the Product on behalf of Seller or Buyer to or from the Delivery Point in a particular Transaction.

ARTICLE II. TRANSACTION TERMS AND CONDITIONS

2.1 Transactions. A Transaction shall be entered into upon agreement of the Parties orally or, if expressly required by either Party with respect to a particular Transaction, in writing, including an electronic means of communication. Each Party agrees not to contest, or assert any defense to, the validity or enforceability of the Transaction entered into in accordance with this Master Agreement (i) based on any law requiring agreements to be in writing or to be signed by the parties, or (ii) based on any lack of authority of the Party or any lack of authority of any employee of the Party to enter into a Transaction.

2.2 Governing Terms. Unless otherwise specifically agreed, each Transaction between the Parties shall be governed by this Master Agreement. This Master Agreement (including all exhibits, schedules and any written supplements hereto), the Party A Tariff, if any, and the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any Confirmations accepted in accordance with Section 2.3) shall form a single integrated agreement between the Parties. Any inconsistency between any terms of this Master Agreement and any terms of the Transaction shall be resolved in favor of the terms of such Transaction.

2.3 Confirmation. Seller may confirm a Transaction by forwarding to Buyer by facsimile within three (3) Business Days after the Transaction is entered into a confirmation

("Confirmation") substantially in the form of Exhibit A. If Buyer objects to any term(s) of such Confirmation, Buyer shall notify Seller in writing of such objections within two (2) Business Days of Buyer's receipt thereof, failing which Buyer shall be deemed to have accepted the terms as sent. If Seller fails to send a Confirmation within three (3) Business Days after the Transaction is entered into, a Confirmation substantially in the form of Exhibit A, may be forwarded by Buyer to Seller. If Seller objects to any term(s) of such Confirmation, Seller shall notify Buyer of such objections within two (2) Business Days of Seller's receipt thereof, failing which Seller shall be deemed to have accepted the terms as sent. If Seller and Buyer each send a Confirmation and neither Party objects to the other Party's Confirmation within two (2) Business Days of receipt, Seller's Confirmation shall be deemed to be accepted and shall be the controlling Confirmation, unless (i) Seller's Confirmation was sent more than three (3) Business Days after the Transaction was entered into and (ii) Buyer's Confirmation was sent prior to Seller's Confirmation, in which case Buyer's Confirmation shall be deemed to be accepted and shall be the controlling Confirmation. Failure by either Party to send or either Party to return an executed Confirmation or any objection by either Party shall not invalidate the Transaction agreed to by the Parties.

2.4 Additional Confirmation Terms. If the Parties have elected on the Cover Sheet to make this Section 2.4 applicable to this Master Agreement, when a Confirmation contains provisions, other than those provisions relating to the commercial terms of the Transaction (e.g., price or special transmission conditions), which modify or supplement the general terms and conditions of this Master Agreement (e.g., arbitration provisions or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 2.3 unless agreed to either orally or in writing by the Parties; provided that the foregoing shall not invalidate any Transaction agreed to by the Parties.

2.5 Recording. Unless a Party expressly objects to a Recording (defined below) at the beginning of a telephone conversation, each Party consents to the creation of a tape or electronic recording ("Recording") of all telephone conversations between the Parties to this Master Agreement, and that any such Recordings will be retained in confidence, secured from improper access, and may be submitted in evidence in any proceeding or action relating to this Agreement. Each Party waives any further notice of such monitoring or recording, and agrees to notify its officers and employees of such monitoring or recording and to obtain any necessary consent of such officers and employees. The Recording, and the terms and conditions described therein, if admissible, shall be the controlling evidence for the Parties' agreement with respect to a particular Transaction in the event a Confirmation is not fully executed (or deemed accepted) by both Parties. Upon full execution (or deemed acceptance) of a Confirmation, such Confirmation shall control in the event of any conflict with the terms of a Recording, or in the event of any conflict with the terms of this Master Agreement.

ARTICLE III. OBLIGATIONS AND DELIVERIES

3.1 Seller's and Buyer's Obligations. With respect to each Transaction, Seller shall sell and deliver, or cause to be delivered, and Buyer shall purchase and receive, or cause to be received, the Quantity of the Product at the Delivery Point, and Buyer shall pay Seller the

Contract Price; provided, however, with respect to Options, the obligations set forth in the preceding sentence shall only arise if the Option Buyer exercises its Option in accordance with its terms. Seller shall be responsible for any costs or charges imposed on or associated with the Product or its delivery of the Product up to the Delivery Point. Buyer shall be responsible for any costs or charges imposed on or associated with the Product or its receipt at and from the Delivery Point.

3.2 Transmission and Scheduling. Seller shall arrange and be responsible for transmission service to the Delivery Point and shall Schedule or arrange for Scheduling services with its Transmission Providers, as specified by the Parties in the Transaction, or in the absence thereof, in accordance with the practice of the Transmission Providers, to deliver the Product to the Delivery Point. Buyer shall arrange and be responsible for transmission service at and from the Delivery Point and shall Schedule or arrange for Scheduling services with its Transmission Providers to receive the Product at the Delivery Point.

3.3 Force Majeure. To the extent either Party is prevented by Force Majeure from carrying out, in whole or part, its obligations under the Transaction and such Party (the "Claiming Party") gives notice and details of the Force Majeure to the other Party as soon as practicable, then, unless the terms of the Product specify otherwise, the Claiming Party shall be excused from the performance of its obligations with respect to such Transaction (other than the obligation to make payments then due or becoming due with respect to performance prior to the Force Majeure). The Claiming Party shall remedy the Force Majeure with all reasonable dispatch. The non-Claiming Party shall not be required to perform or resume performance of its obligations to the Claiming Party corresponding to the obligations of the Claiming Party excused by Force Majeure.

ARTICLE IV. REMEDIES FOR FAILURE TO DELIVER/RECEIVE

4.1 Seller Failure. If Seller fails to schedule and/or deliver all or part of the Product pursuant to a Transaction, and such failure is not excused under the terms of the Product or by Buyer's failure to perform, then Seller shall pay Buyer, on the date payment would otherwise be due in respect of the month in which the failure occurred or, if "Accelerated Payment of Damages" is specified on the Cover Sheet, within five (5) Business Days of invoice receipt, an amount for such deficiency equal to the positive difference, if any, obtained by subtracting the Contract Price from the Replacement Price. The invoice for such amount shall include a written statement explaining in reasonable detail the calculation of such amount.

4.2 Buyer Failure. If Buyer fails to schedule and/or receive all or part of the Product pursuant to a Transaction and such failure is not excused under the terms of the Product or by Seller's failure to perform, then Buyer shall pay Seller, on the date payment would otherwise be due in respect of the month in which the failure occurred or, if "Accelerated Payment of Damages" is specified on the Cover Sheet, within five (5) Business Days of invoice receipt, an amount for such deficiency equal to the positive difference, if any, obtained by subtracting the Sales Price from the Contract Price. The invoice for such amount shall include a written statement explaining in reasonable detail the calculation of such amount.

ARTICLE V. EVENTS OF DEFAULT; REMEDIES

5.1 Events of Default. An "Event of Default" shall mean, with respect to a Party (a "Defaulting Party"), the occurrence of any of the following:

(a) the failure to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within three (3) Business Days after written notice;

(b) any representation or warranty made by such Party herein is false or misleading in any material respect when made or when deemed made or repeated;

(c) the failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default, and except for such Party's obligations to deliver or receive the Product, the exclusive remedy for which is provided in Article Four) if such failure is not remedied within three (3) Business Days after written notice;

(d) such Party becomes Bankrupt;

(e) the failure of such Party to satisfy the creditworthiness/collateral requirements agreed to pursuant to Article Eight hereof;

(f) such Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee entity fails to assume all the obligations of such Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party;

(g) if the applicable cross default section in the Cover Sheet is indicated for such Party, the occurrence and continuation of (i) a default, event of default or other similar condition or event in respect of such Party or any other party specified in the Cover Sheet for such Party under one or more agreements or instruments, individually or collectively, relating to indebtedness for borrowed money in an aggregate amount of not less than the applicable Cross Default Amount (as specified in the Cover Sheet), which results in such indebtedness becoming, or becoming capable at such time of being declared, immediately due and payable or (ii) a default by such Party or any other party specified in the Cover Sheet for such Party in making on the due date therefor one or more payments, individually or collectively, in an aggregate amount of not less than the applicable Cross Default Amount (as specified in the Cover Sheet);

(h) with respect to such Party's Guarantor, if any:

(i) if any representation or warranty made by a Guarantor in connection with this Agreement is false or misleading in any material respect when made or when deemed made or repeated;

(ii) the failure of a Guarantor to make any payment required or to perform any other material covenant or obligation in any guaranty made in connection with this Agreement and such failure shall not be remedied within three (3) Business Days after written notice;

(iii) a Guarantor becomes Bankrupt;

(iv) the failure of a Guarantor's guaranty to be in full force and effect for purposes of this Agreement (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party under each Transaction to which such guaranty shall relate without the written consent of the other Party; or

(v) a Guarantor shall repudiate, disaffirm, disclaim, or reject, in whole or in part, or challenge the validity of any guaranty.

5.2 Declaration of an Early Termination Date and Calculation of Settlement Amounts. If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing, the other Party (the "Non-Defaulting Party") shall have the right (i) to designate a day, no earlier than the day such notice is effective and no later than 20 days after such notice is effective, as an early termination date ("Early Termination Date") to accelerate all amounts owing between the Parties and to liquidate and terminate all, but not less than all, Transactions (each referred to as a "Terminated Transaction") between the Parties, (ii) withhold any payments due to the Defaulting Party under this Agreement and (iii) suspend performance. The Non-Defaulting Party shall calculate, in a commercially reasonable manner, a Settlement Amount for each such Terminated Transaction as of the Early Termination Date (or, to the extent that in the reasonable opinion of the Non-Defaulting Party certain of such Terminated Transactions are commercially impracticable to liquidate and terminate or may not be liquidated and terminated under applicable law on the Early Termination Date, as soon thereafter as is reasonably practicable).

5.3 Net Out of Settlement Amounts. The Non-Defaulting Party shall aggregate all Settlement Amounts into a single amount by: netting out (a) all Settlement Amounts that are due to the Defaulting Party, plus, at the option of the Non-Defaulting Party, any cash or other form of security then available to the Non-Defaulting Party pursuant to Article Eight, plus any or all other amounts due to the Defaulting Party under this Agreement against (b) all Settlement Amounts that are due to the Non-Defaulting Party, plus any or all other amounts due to the Non-Defaulting Party under this Agreement, so that all such amounts shall be netted out to a single

liquidated amount (the "Termination Payment") payable by one Party to the other. The Termination Payment shall be due to or due from the Non-Defaulting Party as appropriate.

5.4 Notice of Payment of Termination Payment. As soon as practicable after a liquidation, notice shall be given by the Non-Defaulting Party to the Defaulting Party of the amount of the Termination Payment and whether the Termination Payment is due to or due from the Non-Defaulting Party. The notice shall include a written statement explaining in reasonable detail the calculation of such amount. The Termination Payment shall be made by the Party that owes it within two (2) Business Days after such notice is effective.

5.5 Disputes With Respect to Termination Payment. If the Defaulting Party disputes the Non-Defaulting Party's calculation of the Termination Payment, in whole or in part, the Defaulting Party shall, within two (2) Business Days of receipt of Non-Defaulting Party's calculation of the Termination Payment, provide to the Non-Defaulting Party a detailed written explanation of the basis for such dispute; provided, however, that if the Termination Payment is due from the Defaulting Party, the Defaulting Party shall first transfer Performance Assurance to the Non-Defaulting Party in an amount equal to the Termination Payment.

5.6 Closeout Setoffs.

Option A: After calculation of a Termination Payment in accordance with Section 5.3, if the Defaulting Party would be owed the Termination Payment, the Non-Defaulting Party shall be entitled, at its option and in its discretion, to (i) set off against such Termination Payment any amounts due and owing by the Defaulting Party to the Non-Defaulting Party under any other agreements, instruments or undertakings between the Defaulting Party and the Non-Defaulting Party and/or (ii) to the extent the Transactions are not yet liquidated in accordance with Section 5.2, withhold payment of the Termination Payment to the Defaulting Party. The remedy provided for in this Section shall be without prejudice and in addition to any right of setoff, combination of accounts, lien or other right to which any Party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

Option B: After calculation of a Termination Payment in accordance with Section 5.3, if the Defaulting Party would be owed the Termination Payment, the Non-Defaulting Party shall be entitled, at its option and in its discretion, to (i) set off against such Termination Payment any amounts due and owing by the Defaulting Party or any of its Affiliates to the Non-Defaulting Party or any of its Affiliates under any other agreements, instruments or undertakings between the Defaulting Party or any of its Affiliates and the Non-Defaulting Party or any of its Affiliates and/or (ii) to the extent the Transactions are not yet liquidated in accordance with Section 5.2, withhold payment of the Termination Payment to the Defaulting Party. The remedy provided for in this Section shall be without prejudice and in addition to any right of setoff, combination of accounts, lien or other right to which any Party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

Option C: Neither Option A nor B shall apply.

5.7 Suspension of Performance. Notwithstanding any other provision of this Master Agreement, if (a) an Event of Default or (b) a Potential Event of Default shall have occurred and be continuing, the Non-Defaulting Party, upon written notice to the Defaulting Party, shall have the right (i) to suspend performance under any or all Transactions; provided, however, in no event shall any such suspension continue for longer than ten (10) NERC Business Days with respect to any single Transaction unless an early Termination Date shall have been declared and notice thereof pursuant to Section 5.2 given, and (ii) to the extent an Event of Default shall have occurred and be continuing to exercise any remedy available at law or in equity.

ARTICLE VI. PAYMENT AND NETTING

6.1 Billing Period. Unless otherwise specifically agreed upon by the Parties in a Transaction, the calendar month shall be the standard period for all payments under this Agreement (other than Termination Payments and, if "Accelerated Payment of Damages" is specified by the Parties in the Cover Sheet, payments pursuant to Section 4.1 or 4.2 and Option premium payments pursuant to Section 6.7). As soon as practicable after the end of each month, each Party will render to the other Party an invoice for the payment obligations, if any, incurred hereunder during the preceding month.

6.2 Timeliness of Payment. Unless otherwise agreed by the Parties in a Transaction, all invoices under this Master Agreement shall be due and payable in accordance with each Party's invoice instructions on or before the later of the twentieth (20th) day of each month, or tenth (10th) day after receipt of the invoice or, if such day is not a Business Day, then on the next Business Day. Each Party will make payments by electronic funds transfer, or by other mutually agreeable method(s), to the account designated by the other Party. Any amounts not paid by the due date will be deemed delinquent and will accrue interest at the Interest Rate, such interest to be calculated from and including the due date to but excluding the date the delinquent amount is paid in full.

6.3 Disputes and Adjustments of Invoices. A Party may, in good faith, dispute the correctness of any invoice or any adjustment to an invoice, rendered under this Agreement or adjust any invoice for any arithmetic or computational error within twelve (12) months of the date the invoice, or adjustment to an invoice, was rendered. In the event an invoice or portion thereof, or any other claim or adjustment arising hereunder, is disputed, payment of the undisputed portion of the invoice shall be required to be made when due, with notice of the objection given to the other Party. Any invoice dispute or invoice adjustment shall be in writing and shall state the basis for the dispute or adjustment. Payment of the disputed amount shall not be required until the dispute is resolved. Upon resolution of the dispute, any required payment shall be made within two (2) Business Days of such resolution along with interest accrued at the Interest Rate from and including the due date to but excluding the date paid. Inadvertent overpayments shall be returned upon request or deducted by the Party receiving such overpayment from subsequent payments, with interest accrued at the Interest Rate from and including the date of such overpayment to but excluding the date repaid or deducted by the Party receiving such overpayment. Any dispute with respect to an invoice is waived unless the other Party is notified in accordance with this Section 6.3 within twelve (12) months after the invoice

is rendered or any specific adjustment to the invoice is made. If an invoice is not rendered within twelve (12) months after the close of the month during which performance of a Transaction occurred, the right to payment for such performance is waived.

6.4 Netting of Payments. The Parties hereby agree that they shall discharge mutual debts and payment obligations due and owing to each other on the same date pursuant to all Transactions through netting, in which case all amounts owed by each Party to the other Party for the purchase and sale of Products during the monthly billing period under this Master Agreement, including any related damages calculated pursuant to Article Four (unless one of the Parties elects to accelerate payment of such amounts as permitted by Article Four), interest, and payments or credits, shall be netted so that only the excess amount remaining due shall be paid by the Party who owes it.

6.5 Payment Obligation Absent Netting. If no mutual debts or payment obligations exist and only one Party owes a debt or obligation to the other during the monthly billing period, including, but not limited to, any related damage amounts calculated pursuant to Article Four, interest, and payments or credits, that Party shall pay such sum in full when due.

6.6 Security. Unless the Party benefiting from Performance Assurance or a guaranty notifies the other Party in writing, and except in connection with a liquidation and termination in accordance with Article Five, all amounts netted pursuant to this Article Six shall not take into account or include any Performance Assurance or guaranty which may be in effect to secure a Party's performance under this Agreement.

6.7 Payment for Options. The premium amount for the purchase of an Option shall be paid within two (2) Business Days of receipt of an invoice from the Option Seller. Upon exercise of an Option, payment for the Product underlying such Option shall be due in accordance with Section 6.1.

6.8 Transaction Netting. If the Parties enter into one or more Transactions, which in conjunction with one or more other outstanding Transactions, constitute Offsetting Transactions, then all such Offsetting Transactions may by agreement of the Parties, be netted into a single Transaction under which:

(a) the Party obligated to deliver the greater amount of Energy will deliver the difference between the total amount it is obligated to deliver and the total amount to be delivered to it under the Offsetting Transactions, and

(b) the Party owing the greater aggregate payment will pay the net difference owed between the Parties.

Each single Transaction resulting under this Section shall be deemed part of the single, indivisible contractual arrangement between the parties, and once such resulting Transaction occurs, outstanding obligations under the Offsetting Transactions which are satisfied by such offset shall terminate.

ARTICLE VII. LIMITATIONS

7.1 Limitation of Remedies, Liability and Damages. EXCEPT AS SET FORTH HEREIN, THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. THE PARTIES CONFIRM THAT THE EXPRESS REMEDIES AND MEASURES OF DAMAGES PROVIDED IN THIS AGREEMENT SATISFY THE ESSENTIAL PURPOSES HEREOF. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, THE OBLIGOR'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

ARTICLE VIII. CREDIT AND COLLATERAL REQUIREMENTS

8.1 Party A Credit Protection. The applicable credit and collateral requirements shall be as specified on the Cover Sheet. If no option in Section 8.1(a) is specified on the Cover Sheet, Section 8.l(a) Option C shall apply exclusively. If none of Sections 8.1(b), 8.1(c) or 8.1(d) are specified on the Cover Sheet, Section 8.1(b) shall apply exclusively.

(a) Financial Information. Option A: If requested by Party A, Party B shall deliver (i) within 120 days following the end of each fiscal year, a copy of Party B's annual report containing audited consolidated financial statements for such fiscal year and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of Party B's quarterly report containing unaudited consolidated financial statements for such fiscal quarter. In all cases the statements shall be for the most recent accounting period and prepared in

accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as Party B diligently pursues the preparation, certification and delivery of the statements.

Option B: If requested by Party A, Party B shall deliver (i) within 120 days following the end of each fiscal year, a copy of the annual report containing audited consolidated financial statements for such fiscal year for the party(s) specified on the Cover Sheet and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of quarterly report containing unaudited consolidated financial statements for such fiscal quarter for the party(s) specified on the Cover Sheet. In all cases the statements shall be for the most recent accounting period and shall be prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as the relevant entity diligently pursues the preparation, certification and delivery of the statements.

Option C: Party A may request from Party B the information specified in the Cover Sheet.

(b) Credit Assurances. If Party A has reasonable grounds to believe that Party B's creditworthiness or performance under this Agreement has become unsatisfactory, Party A will provide Party B with written notice requesting Performance Assurance in an amount determined by Party A in a commercially reasonable manner. Upon receipt of such notice Party B shall have three (3) Business Days to remedy the situation by providing such Performance Assurance to Party A. In the event that Party B fails to provide such Performance Assurance, or a guaranty or other credit assurance acceptable to Party A within three (3) Business Days of receipt of notice, then an Event of Default under Article Five will be deemed to have occurred and Party A will be entitled to the remedies set forth in Article Five of this Master Agreement.

(c) Collateral Threshold. If at any time and from time to time during the term of this Agreement (and notwithstanding whether an Event of Default has occurred), the Termination Payment that would be owed to Party A plus Party B's Independent Amount, if any, exceeds the Party B Collateral Threshold, then Party A, on any Business Day, may request that Party B provide Performance Assurance in an amount equal to the amount by which the Termination Payment plus Party B's Independent Amount, if any, exceeds the Party B Collateral Threshold (rounding upwards for any fractional amount to the next Party B Rounding Amount) ("Party B Performance Assurance"), less any Party B Performance Assurance already posted with Party A. Such Party B Performance Assurance shall be delivered to Party A within three (3) Business Days of the date of such request. On any Business Day (but no more frequently than weekly with respect to Letters of Credit and daily with respect to cash), Party B, at its sole cost, may request that such Party B Performance Assurance be reduced correspondingly to the amount of such excess Termination Payment plus Party B's Independent Amount, if any, (rounding upwards for any fractional amount to the next Party B Rounding Amount). In the event that Party B fails to provide Party B Performance Assurance pursuant to the terms of this

Article Eight within three (3) Business Days, then an Event of Default under Article Five shall be deemed to have occurred and Party A will be entitled to the remedies set forth in Article Five of this Master Agreement.

For purposes of this Section 8.1(c), the calculation of the Termination Payment shall be calculated pursuant to Section 5.3 by Party A as if all outstanding Transactions had been liquidated, and in addition thereto, shall include all amounts owed but not yet paid by Party B to Party A, whether or not such amounts are due, for performance already provided pursuant to any and all Transactions.

(d) Downgrade Event. If at any time there shall occur a Downgrade Event in respect of Party B, then Party A may require Party B to provide Performance Assurance in an amount determined by Party A in a commercially reasonable manner. In the event Party B shall fail to provide such Performance Assurance or a guaranty or other credit assurance acceptable to Party A within three (3) Business Days of receipt of notice, then an Event of Default shall be deemed to have occurred and Party A will be entitled to the remedies set forth in Article Five of this Master Agreement.

(e) If specified on the Cover Sheet, Party B shall deliver to Party A, prior to or concurrently with the execution and delivery of this Master Agreement a guarantee in an amount not less than the Guarantee Amount specified on the Cover Sheet and in a form reasonably acceptable to Party A.

8.2 Party B Credit Protection. The applicable credit and collateral requirements shall be as specified on the Cover Sheet. If no option in Section 8.2(a) is specified on the Cover Sheet, Section 8.2(a) Option C shall apply exclusively. If none of Sections 8.2(b), 8.2(c) or 8.2(d) are specified on the Cover Sheet, Section 8.2(b) shall apply exclusively.

(a) Financial Information. Option A: If requested by Party B, Party A shall deliver (i) within 120 days following the end of each fiscal year, a copy of Party A's annual report containing audited consolidated financial statements for such fiscal year and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of such Party's quarterly report containing unaudited consolidated financial statements for such fiscal quarter. In all cases the statements shall be for the most recent accounting period and prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as such Party diligently pursues the preparation, certification and delivery of the statements.

Option B: If requested by Party B, Party A shall deliver (i) within 120 days following the end of each fiscal year, a copy of the annual report containing audited consolidated financial statements for such fiscal year for the party(s) specified on the Cover Sheet and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of quarterly report containing unaudited consolidated financial statements for such fiscal quarter for the party(s) specified on the Cover Sheet. In all cases the statements shall be for the most recent

accounting period and shall be prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as the relevant entity diligently pursues the preparation, certification and delivery of the statements.

Option C: Party B may request from Party A the information specified in the Cover Sheet.

(b) Credit Assurances. If Party B has reasonable grounds to believe that Party A's creditworthiness or performance under this Agreement has become unsatisfactory, Party B will provide Party A with written notice requesting Performance Assurance in an amount determined by Party B in a commercially reasonable manner. Upon receipt of such notice Party A shall have three (3) Business Days to remedy the situation by providing such Performance Assurance to Party B. In the event that Party A fails to provide such Performance Assurance, or a guaranty or other credit assurance acceptable to Party B within three (3) Business Days of receipt of notice, then an Event of Default under Article Five will be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement.

(c) Collateral Threshold. If at any time and from time to time during the term of this Agreement (and notwithstanding whether an Event of Default has occurred), the Termination Payment that would be owed to Party B plus Party A's Independent Amount, if any, exceeds the Party A Collateral Threshold, then Party B, on any Business Day, may request that Party A provide Performance Assurance in an amount equal to the amount by which the Termination Payment plus Party A's Independent Amount, if any, exceeds the Party A Collateral Threshold (rounding upwards for any fractional amount to the next Party A Rounding Amount) ("Party A Performance Assurance"), less any Party A Performance Assurance already posted with Party B. Such Party A Performance Assurance shall be delivered to Party B within three (3) Business Days of the date of such request. On any Business Day (but no more frequently than weekly with respect to Letters of Credit and daily with respect to cash), Party A, at its sole cost, may request that such Party A Performance Assurance be reduced correspondingly to the amount of such excess Termination Payment plus Party A's Independent Amount, if any, (rounding upwards for any fractional amount to the next Party A Rounding Amount). In the event that Party A fails to provide Party A Performance Assurance pursuant to the terms of this Article Eight within three (3) Business Days, then an Event of Default under Article Five shall be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement.

For purposes of this Section 8.2(c), the calculation of the Termination Payment shall be calculated pursuant to Section 5.3 by Party B as if all outstanding Transactions had been liquidated, and in addition thereto, shall include all amounts owed but not yet paid by Party A to Party B, whether or not such amounts are due, for performance already provided pursuant to any and all Transactions.

(d) Downgrade Event. If at any time there shall occur a Downgrade Event in respect of Party A, then Party B may require Party A to provide Performance Assurance in an amount determined by Party B in a commercially reasonable manner. In the event Party A shall fail to provide such Performance Assurance or a guaranty or other credit assurance acceptable to Party B within three (3) Business Days of receipt of notice, then an Event of Default shall be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement.

(e) If specified on the Cover Sheet, Party A shall deliver to Party B, prior to or concurrently with the execution and delivery of this Master Agreement a guarantee in an amount not less than the Guarantee Amount specified on the Cover Sheet and in a form reasonably acceptable to Party B.

8.3Grant of Security Interest/Remedies. To secure its obligations under this Agreement and to the extent either or both Parties deliver Performance Assurance hereunder, each Party (a "Pledgor") hereby grants to the other Party (the "Secured Party") a present and continuing security interest in, and lien on (and right of setoff against), and assignment of, all cash collateral and cash equivalent collateral and any and all proceeds resulting therefrom or the liquidation thereof, whether now or hereafter held by, on behalf of, or for the benefit of, such Secured Party, and each Party agrees to take such action as the other Party reasonably requires in order to perfect the Secured Party's first-priority security interest in, and lien on (and right of setoff against), such collateral and any and all proceeds resulting therefrom or from the liquidation thereof. Upon or any time after the occurrence or deemed occurrence and during the continuation of an Event of Default or an Early Termination Date, the Non-Defaulting Party may do any one or more of the following: (i) exercise any of the rights and remedies of a Secured Party with respect to all Performance Assurance, including any such rights and remedies under law then in effect; (ii) exercise its rights of setoff against any and all property of the Defaulting Party in the possession of the Non-Defaulting Party or its agent; (iii) draw on any outstanding Letter of Credit issued for its benefit; and (iv) liquidate all Performance Assurance then held by or for the benefit of the Secured Party free from any claim or right of any nature whatsoever of the Defaulting Party, including any equity or right of purchase or redemption by the Defaulting Party. The Secured Party shall apply the proceeds of the collateral realized upon the exercise of any such rights or remedies to reduce the Pledgor's obligations under the Agreement (the Pledgor remaining liable for any amounts owing to the Secured Party after such application), subject to the Secured Party's obligation to return any surplus proceeds remaining after such obligations are satisfied in full.

ARTICLE IX. GOVERNMENTAL CHARGES

9.1 Cooperation. Each Party shall use reasonable efforts to implement the provisions of and to administer this Master Agreement in accordance with the intent of the parties to minimize all taxes , so long as neither Party is materially adversely affected by such efforts.

9.2 Governmental Charges. Seller shall pay or cause to be paid all taxes imposed by any government authority("Governmental Charges") on or with respect to the Product or a

Transaction arising prior to the Delivery Point. Buyer shall pay or cause to be paid all Governmental Charges on or with respect to the Product or a Transaction at and from the Delivery Point (other than ad valorem, franchise or income taxes which are related to the sale of the Product and are, therefore, the responsibility of the Seller). In the event Seller is required by law or regulation to remit or pay Governmental Charges which are Buyer's responsibility hereunder, Buyer shall promptly reimburse Seller for such Governmental Charges. If Buyer is required by law or regulation to remit or pay Governmental Charges which are Seller's responsibility hereunder, Buyer may deduct the amount of any such Governmental Charges from the sums due to Seller under Article 6 of this Agreement. Nothing shall obligate or cause a Party to pay or be liable to pay any Governmental Charges for which it is exempt under the law.

ARTICLE X. MISCELLANEOUS

10.1 Term of Master Agreement. The term of this Master Agreement shall commence on the Effective Date and shall remain in effect until terminated by either Party upon (thirty) 30 days' prior written notice; provided, however, that such termination shall not affect or excuse the performance of either Party under any provision of this Master Agreement that by its terms survives any such termination and, provided further, that this Master Agreement and any other documents executed and delivered hereunder shall remain in effect with respect to the Transaction(s) entered into prior to the effective date of such termination until both Parties have fulfilled all of their obligations with respect to such Transaction(s), or such Transaction(s) that have been terminated under Section 5.2 of this Agreement.

10.2 Representations and Warranties. On the Effective Date and the date of entering into each Transaction, each Party represents and warrants to the other Party that:

(i) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;

(ii) it has all regulatory authorizations necessary for it to legally perform its obligations under this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3);

(iii) the execution, delivery and performance of this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3) are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or the like applicable to it;

(iv) this Master Agreement, each Transaction (including any Confirmation accepted in accordance with Section 2.3), and each other document executed and delivered in accordance with this Master Agreement constitutes its legally valid and binding obligation enforceable against it in accordance with its terms; subject to any Equitable Defenses.

(v) it is not Bankrupt and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it which would result in it being or becoming Bankrupt;

(vi) there is not pending or, to its knowledge, threatened against it or any of its Affiliates any legal proceedings that could materially adversely affect its ability to perform its obligations under this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3);

(vii) no Event of Default or Potential Event of Default with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3);

(viii) it is acting for its own account, has made its own independent decision to enter into this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3) and as to whether this Master Agreement and each such Transaction (including any Confirmation accepted in accordance with Section 2.3) is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party in so doing, and is capable of assessing the merits of and understanding, and understands and accepts, the terms, conditions and risks of this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3);

(ix) it is a "forward contract merchant" within the meaning of the United States Bankruptcy Code;

(x) it has entered into this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3) in connection with the conduct of its business and it has the capacity or ability to make or take delivery of all Products referred to in the Transaction to which it is a Party;

(xi) with respect to each Transaction (including any Confirmation accepted in accordance with Section 2.3) involving the purchase or sale of a Product or an Option, it is a producer, processor, commercial user or merchant handling the Product, and it is entering into such Transaction for purposes related to its business as such; and

(xii) the material economic terms of each Transaction are subject to individual negotiation by the Parties.

10.3 Title and Risk of Loss. Title to and risk of loss related to the Product shall transfer from Seller to Buyer at the Delivery Point. Seller warrants that it will deliver to Buyer the Quantity of the Product free and clear of all liens, security interests, claims and encumbrances or any interest therein or thereto by any person arising prior to the Delivery Point.

10.4 Indemnity. Each Party shall indemnify, defend and hold harmless the other Party from and against any Claims arising from or out of any event, circumstance, act or incident first occurring or existing during the period when control and title to Product is vested in such Party as provided in Section 10.3. Each Party shall indemnify, defend and hold harmless the other Party against any Governmental Charges for which such Party is responsible under Article Nine.

10.5 Assignment. Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent may be withheld in the exercise of its sole discretion; provided, however, either Party may, without the consent of the other Party (and without relieving itself from liability hereunder), (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements, (ii) transfer or assign this Agreement to an Affiliate of such Party which Affiliate's creditworthiness is equal to or higher than that of such Party, or (iii) transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets whose creditworthiness is equal to or higher than that of such Party; provided, however, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions hereof and so long as the transferring Party delivers such tax and enforceability assurance as the non-transferring Party may reasonably request.

10.6 Governing Law. THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT.

10.7Notices. All notices, requests, statements or payments shall be made as specified in the Cover Sheet. Notices (other than scheduling requests) shall, unless otherwise specified herein, be in writing and may be delivered by hand delivery, United States mail, overnight courier service or facsimile. Notice by facsimile or hand delivery shall be effective at the close of business on the day actually received, if received during business hours on a Business Day, and otherwise shall be effective at the close of business on the next Business Day. Notice by overnight United States mail or courier shall be effective on the next Business Day after it was sent. A Party may change its addresses by providing notice of same in accordance herewith.

10.8 General. This Master Agreement (including the exhibits, schedules and any written supplements hereto), the Party A Tariff, if any, the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any Confirmation accepted in accordance with Section 2.3) constitute the entire agreement between the Parties relating to the subject matter. Notwithstanding the

foregoing, any collateral, credit support or margin agreement or similar arrangement between the Parties shall, upon designation by the Parties, be deemed part of this Agreement and shall be incorporated herein by reference. This Agreement shall be considered for all purposes as prepared through the joint efforts of the parties and shall not be construed against one party or the other as a result of the preparation, substitution, submission or other event of negotiation, drafting or execution hereof. Except to the extent herein provided for, no amendment or modification to this Master Agreement shall be enforceable unless reduced to writing and executed by both Parties. Each Party agrees if it seeks to amend any applicable wholesale power sales tariff during the term of this Agreement, such amendment will not in any way affect outstanding Transactions under this Agreement without the prior written consent of the other Party. Each Party further agrees that it will not assert, or defend itself, on the basis that any applicable tariff is inconsistent with this Agreement. This Agreement shall not impart any rights enforceable by any third party (other than a permitted successor or assignee bound to this Agreement). Waiver by a Party of any default by the other Party shall not be construed as a waiver of any other default. Any provision declared or rendered unlawful by any applicable court of law or regulatory agency or deemed unlawful because of a statutory change (individually or collectively, such events referred to as "Regulatory Event") will not otherwise affect the remaining lawful obligations that arise under this Agreement; and provided, further, that if a Regulatory Event occurs, the Parties shall use their best efforts to reform this Agreement in order to give effect to the original intention of the Parties. The term "including" when used in this Agreement shall be by way of example only and shall not be considered in any way to be in limitation. The headings used herein are for convenience and reference purposes only. All indemnity and audit rights shall survive the termination of this Agreement for twelve (12) months. This Agreement shall be binding on each Party's successors and permitted assigns.

10.9 Audit. Each Party has the right, at its sole expense and during normal working hours, to examine the records of the other Party to the extent reasonably necessary to verify the accuracy of any statement, charge or computation made pursuant to this Master Agreement. If requested, a Party shall provide to the other Party statements evidencing the Quantity delivered at the Delivery Point. If any such examination reveals any inaccuracy in any statement, the necessary adjustments in such statement and the payments thereof will be made promptly and shall bear interest calculated at the Interest Rate from the date the overpayment or underpayment was made until paid; provided, however, that no adjustment for any statement or payment will be made unless objection to the accuracy thereof was made prior to the lapse of twelve (12) months from the rendition thereof, and thereafter any objection shall be deemed waived.

10.10 Forward Contract. The Parties acknowledge and agree that all Transactions constitute "forward contracts" within the meaning of the United States Bankruptcy Code.

10.11 Confidentiality. If the Parties have elected on the Cover Sheet to make this Section 10.11 applicable to this Master Agreement, neither Party shall disclose the terms or conditions of a Transaction under this Master Agreement to a third party (other than the Party's employees, lenders, counsel, accountants or advisors who have a need to know such information and have agreed to keep such terms confidential) except in order to comply with any applicable law, regulation, or any exchange, control area or independent system operator rule or in

connection with any court or regulatory proceeding; provided, however, each Party shall, to the extent practicable, use reasonable efforts to prevent or limit the disclosure. The Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation.

SCHEDULE M

(THIS SCHEDULE IS INCLUDED IF THE APPROPRIATE BOX ON THE COVER SHEET IS MARKED INDICATING A PARTY IS A GOVERNMENTAL ENTITY OR PUBLIC POWER SYSTEM)

A. The Parties agree to add the following definitions in Article One.

"Act" means _____.[1]

"Governmental Entity or Public Power System" means a municipality, county, governmental board, public power authority, public utility district, joint action agency, or other similar political subdivision or public entity of the United States, one or more States or territories or any combination thereof.

"Special Fund" means a fund or account of the Governmental Entity or Public Power System set aside and or pledged to satisfy the Public Power System's obligations hereunder out of which amounts shall be paid to satisfy all of the Public Power System's obligations under this Master Agreement for the entire Delivery Period.

B. The following sentence shall be added to the end of the definition of "Force Majeure" in Article One.

If the Claiming Party is a Governmental Entity or Public Power System, Force Majeure does not include any action taken by the Governmental Entity or Public Power System in its governmental capacity.

C. The Parties agree to add the following representations and warranties to Section 10.2:

Further and with respect to a Party that is a Governmental Entity or Public Power System, such Governmental Entity or Public Power System represents and warrants to the other Party continuing throughout the term of this Master Agreement, with respect to this Master Agreement and each Transaction, as follows: (i) all acts necessary to the valid execution, delivery and performance of this Master Agreement, including without limitation, competitive bidding, public notice, election, referendum, prior appropriation or other required procedures has or will be taken and performed as required under the Act and the Public Power System's ordinances, bylaws or other regulations, (ii) all persons making up the

[1] Cite the state enabling and other relevant statutes applicable to Governmental Entity or Public Power System.

governing body of Governmental Entity or Public Power System are the duly elected or appointed incumbents in their positions and hold such positions in good standing in accordance with the Act and other applicable law, (iii) entry into and performance of this Master Agreement by Governmental Entity or Public Power System are for a proper public purpose within the meaning of the Act and all other relevant constitutional, organic or other governing documents and applicable law, (iv) the term of this Master Agreement does not extend beyond any applicable limitation imposed by the Act or other relevant constitutional, organic or other governing documents and applicable law, (v) the Public Power System's obligations to make payments hereunder are unsubordinated obligations and such payments are (a) operating and maintenance costs (or similar designation) which enjoy first priority of payment at all times under any and all bond ordinances or indentures to which it is a party, the Act and all other relevant constitutional, organic or other governing documents and applicable law or (b) otherwise not subject to any prior claim under any and all bond ordinances or indentures to which it is a party, the Act and all other relevant constitutional, organic or other governing documents and applicable law and are available without limitation or deduction to satisfy all Governmental Entity or Public Power System' obligations hereunder and under each Transaction or (c) are to be made solely from a Special Fund, (vi) entry into and performance of this Master Agreement and each Transaction by the Governmental Entity or Public Power System will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any obligation of Governmental Entity or Public Power System otherwise entitled to such exclusion, and (vii) obligations to make payments hereunder do not constitute any kind of indebtedness of Governmental Entity or Public Power System or create any kind of lien on, or security interest in, any property or revenues of Governmental Entity or Public Power System which, in either case, is proscribed by any provision of the Act or any other relevant constitutional, organic or other governing documents and applicable law, any order or judgment of any court or other agency of government applicable to it or its assets, or any contractual restriction binding on or affecting it or any of its assets.

D. The Parties agree to add the following sections to Article Three:

Section 3.4 Public Power System's Deliveries. On the Effective Date and as a condition to the obligations of the other Party under this Agreement, Governmental Entity or Public Power System shall provide the other Party hereto (i) certified copies of all ordinances, resolutions, public notices and other documents evidencing the necessary authorizations with respect to the execution, delivery and performance by Governmental Entity or Public Power System of this Master Agreement

and (ii) an opinion of counsel for Governmental Entity or Public Power System, in form and substance reasonably satisfactory to the Other Party, regarding the validity, binding effect and enforceability of this Master Agreement against Governmental Entity or Public Power System in respect of the Act and all other relevant constitutional organic or other governing documents and applicable law.

Section 3.5 No Immunity Claim. Governmental Entity or Public Power System warrants and covenants that with respect to its contractual obligations hereunder and performance thereof, it will not claim immunity on the grounds of sovereignty or similar grounds with respect to itself or its revenues or assets from (a) suit, (b) jurisdiction of court (including a court located outside the jurisdiction of its organization), (c) relief by way of injunction, order for specific performance or recovery of property, (d) attachment of assets, or (e) execution or enforcement of any judgment.

E. If the appropriate box is checked on the Cover Sheet, as an alternative to selecting one of the options under Section 8.3, the Parties agree to add the following section to Article Three:

Section 3.6 Governmental Entity or Public Power System Security. With respect to each Transaction, Governmental Entity or Public Power System shall either (i) have created and set aside a Special Fund or (ii) upon execution of this Master Agreement and prior to the commencement of each subsequent fiscal year of Governmental Entity or Public Power System during any Delivery Period, have obtained all necessary budgetary approvals and certifications for payment of all of its obligations under this Master Agreement for such fiscal year; any breach of this provision shall be deemed to have arisen during a fiscal period of Governmental Entity or Public Power System for which budgetary approval or certification of its obligations under this Master Agreement is in effect and, notwithstanding anything to the contrary in Article Four, an Early Termination Date shall automatically and without further notice occur hereunder as of such date wherein Governmental Entity or Public Power System shall be treated as the Defaulting Party. Governmental Entity or Public Power System shall have allocated to the Special Fund or its general funds a revenue base that is adequate to cover Public Power System's payment obligations hereunder throughout the entire Delivery Period.

F. If the appropriate box is checked on the Cover Sheet, the Parties agree to add the following section to Article Eight:

Section 8.4 Governmental Security. As security for payment and performance of Public Power System's obligations hereunder, Public

Power System hereby pledges, sets over, assigns and grants to the other Party a security interest in all of Public Power System's right, title and interest in and to [specify collateral].

G. The Parties agree to add the following sentence at the end of Section 10.6 - Governing Law:

NOTWITHSTANDING THE FOREGOING, IN RESPECT OF THE APPLICABILITY OF THE ACT AS HEREIN PROVIDED, THE LAWS OF THE STATE OF _____[2] SHALL APPLY.

[2] Insert relevant state for Governmental Entity or Public Power System.

SCHEDULE P: PRODUCTS AND RELATED DEFINITIONS

"Ancillary Services" means any of the services identified by a Transmission Provider in its transmission tariff as "ancillary services" including, but not limited to, regulation and frequency response, energy imbalance, operating reserve-spinning and operating reserve-supplemental, as may be specified in the Transaction.

"Capacity" has the meaning specified in the Transaction.

"Energy" means three-phase, 60-cycle alternating current electric energy, expressed in megawatt hours.

"Firm (LD)" means, with respect to a Transaction, that either Party shall be relieved of its obligations to sell and deliver or purchase and receive without liability only to the extent that, and for the period during which, such performance is prevented by Force Majeure. In the absence of Force Majeure, the Party to which performance is owed shall be entitled to receive from the Party which failed to deliver/receive an amount determined pursuant to Article Four.

"Firm Transmission Contingent - Contract Path" means, with respect to a Transaction, that the performance of either Seller or Buyer (as specified in the Transaction) shall be excused, and no damages shall be payable including any amounts determined pursuant to Article Four, if the transmission for such Transaction is interrupted or curtailed and (i) such Party has provided for firm transmission with the transmission provider(s) for the Product in the case of the Seller from the generation source to the Delivery Point or in the case of the Buyer from the Delivery Point to the ultimate sink, and (ii) such interruption or curtailment is due to "force majeure" or "uncontrollable force" or a similar term as defined under the applicable transmission provider's tariff. This contingency shall excuse performance for the duration of the interruption or curtailment notwithstanding the provisions of the definition of "Force Majeure" in Section 1.23 to the contrary.

"Firm Transmission Contingent - Delivery Point" means, with respect to a Transaction, that the performance of either Seller or Buyer (as specified in the Transaction) shall be excused, and no damages shall be payable including any amounts determined pursuant to Article Four, if the transmission to the Delivery Point (in the case of Seller) or from the Delivery Point (in the case of Buyer) for such Transaction is interrupted or curtailed and (i) such Party has provided for firm transmission with the transmission provider(s) for the Product, in the case of the Seller, to be delivered to the Delivery Point or, in the case of Buyer, to be received at the Delivery Point and (ii) such interruption or curtailment is due to "force majeure" or "uncontrollable force" or a similar term as defined under the applicable transmission provider's tariff. This transmission contingency excuses performance for the duration of the interruption or curtailment, notwithstanding the provisions of the definition of "Force Majeure" in Section 1.23 to the contrary. Interruptions or curtailments of transmission other than the transmission either immediately to or from the Delivery Point shall not excuse performance

"Firm (No Force Majeure)" means, with respect to a Transaction, that if either Party fails to perform its obligation to sell and deliver or purchase and receive the Product, the Party to which performance is owed shall be entitled to receive from the Party which failed to perform an amount determined pursuant to Article Four. Force Majeure shall not excuse performance of a Firm (No Force Majeure) Transaction.

"Into _____ (the "Receiving Transmission Provider"), Seller's Daily Choice" means that, in accordance with the provisions set forth below, (1) the Product shall be scheduled and delivered to an interconnection or interface ("Interface") either (a) on the Receiving Transmission Provider's transmission system border or (b) within the control area of the Receiving Transmission Provider if the Product is from a source of generation in that control area, which Interface, in either case, the Receiving Transmission Provider identifies as available for delivery of the Product in or into its control area; and (2) Seller has the right on a daily prescheduled basis to designate the Interface where the Product shall be delivered. An "Into" Product shall be subject to the following provisions:

1. Prescheduling and Notification. Subject to the provisions of Section 6, not later than the prescheduling deadline of 11:00 a.m. PPT on the Business Day before the next delivery day or as otherwise agreed to by Buyer and Seller, Seller shall notify Buyer ("Seller's Notification") of Seller's immediate upstream counterparty and the Interface (the "Designated Interface") where Seller shall deliver the Product for the next delivery day, and Buyer shall notify Seller of Buyer's immediate downstream counterparty.

2. Availability of "Firm Transmission" to Buyer at Designated Interface; "Timely Request for Transmission," "ADI" and "Available Transmission." In determining availability to Buyer of next-day firm transmission ("Firm Transmission") from the Designated Interface, a "Timely Request for Transmission" shall mean a properly completed request for Firm Transmission made by Buyer in accordance with the controlling tariff procedures, which request shall be submitted to the Receiving Transmission Provider no later than 30 minutes after delivery of Seller's Notification, provided, however, if the Receiving Transmission Provider is not accepting requests for Firm Transmission at the time of Seller's Notification, then such request by Buyer shall be made within 30 minutes of the time when the Receiving Transmission Provider first opens thereafter for purposes of accepting requests for Firm Transmission.

Pursuant to the terms hereof, delivery of the Product may under certain circumstances be redesignated to occur at an Interface other than the Designated Interface (any such alternate designated interface, an "ADI") either (a) on the Receiving Transmission Provider's transmission system border or (b) within the control area of the Receiving Transmission Provider if the Product is from a source of generation in that control area, which ADI, in either case, the Receiving Transmission Provider identifies as available for delivery of the Product in or into its control area using either firm or non-firm transmission, as available on a day-ahead or hourly basis (individually or collectively referred to as "Available Transmission") within the Receiving Transmission Provider's transmission system.

3. Rights of Buyer and Seller Depending Upon Availability of/Timely Request for Firm Transmission.

A. Timely Request for Firm Transmission made by Buyer, Accepted by the Receiving Transmission Provider and Purchased by Buyer. If a Timely Request for Firm Transmission is made by Buyer and is accepted by the Receiving Transmission Provider and Buyer purchases such Firm Transmission, then Seller shall deliver and Buyer shall receive the Product at the Designated Interface.

i. If the Firm Transmission purchased by Buyer within the Receiving Transmission Provider's transmission system from the Designated Interface ceases to be available to Buyer for any reason, or if Seller is unable to deliver the Product at the Designated Interface for any reason except Buyer's non-performance, then at Seller's choice from among the following, Seller shall: (a) to the extent Firm Transmission is available to Buyer from an ADI on a day-ahead basis, require Buyer to purchase such Firm Transmission from such ADI, and schedule and deliver the affected portion of the Product to such ADI on the basis of Buyer's purchase of Firm Transmission, or (b) require Buyer to purchase non-firm transmission, and schedule and deliver the affected portion of the Product on the basis of Buyer's purchase of non-firm transmission from the Designated Interface or an ADI designated by Seller, or (c) to the extent firm transmission is available on an hourly basis, require Buyer to purchase firm transmission, and schedule and deliver the affected portion of the Product on the basis of Buyer's purchase of such hourly firm transmission from the Designated Interface or an ADI designated by Seller.

ii. If the Available Transmission utilized by Buyer as required by Seller pursuant to Section 3A(i) ceases to be available to Buyer for any reason, then Seller shall again have those alternatives stated in Section 3A(i) in order to satisfy its obligations.

iii. Seller's obligation to schedule and deliver the Product at an ADI is subject to Buyer's obligation referenced in Section 4B to cooperate reasonably therewith. If Buyer and Seller cannot complete the scheduling and/or delivery at an ADI, then Buyer shall be deemed to have satisfied its receipt obligations to Seller and Seller shall be deemed to have failed its delivery obligations to Buyer, and Seller shall be liable to Buyer for amounts determined pursuant to Article Four.

iv. In each instance in which Buyer and Seller must make alternative scheduling arrangements for delivery at the Designated Interface or an ADI pursuant to Sections 3A(i) or (ii), and Firm Transmission had been purchased by both Seller and Buyer into and within the Receiving Transmission Provider's transmission system as to the scheduled delivery which could not be completed as a result of the interruption or curtailment of such Firm Transmission, Buyer and Seller shall bear their respective transmission expenses and/or associated

congestion charges incurred in connection with efforts to complete delivery by such alternative scheduling and delivery arrangements. In any instance except as set forth in the immediately preceding sentence, Buyer and Seller must make alternative scheduling arrangements for delivery at the Designated Interface or an ADI under Sections 3A(i) or (ii), Seller shall be responsible for any additional transmission purchases and/or associated congestion charges incurred by Buyer in connection with such alternative scheduling arrangements.

B. Timely Request for Firm Transmission Made by Buyer but Rejected by the Receiving Transmission Provider. If Buyer's Timely Request for Firm Transmission is rejected by the Receiving Transmission Provider because of unavailability of Firm Transmission from the Designated Interface, then Buyer shall notify Seller within 15 minutes after receipt of the Receiving Transmission Provider's notice of rejection ("Buyer's Rejection Notice"). If Buyer timely notifies Seller of such unavailability of Firm Transmission from the Designated Interface, then Seller shall be obligated either (1) to the extent Firm Transmission is available to Buyer from an ADI on a day-ahead basis, to require Buyer to purchase (at Buyer's own expense) such Firm Transmission from such ADI and schedule and deliver the Product to such ADI on the basis of Buyer's purchase of Firm Transmission, and thereafter the provisions in Section 3A shall apply, or (2) to require Buyer to purchase (at Buyer's own expense) non-firm transmission, and schedule and deliver the Product on the basis of Buyer's purchase of non-firm transmission from the Designated Interface or an ADI designated by the Seller, in which case Seller shall bear the risk of interruption or curtailment of the non-firm transmission; provided, however, that if the non-firm transmission is interrupted or curtailed or if Seller is unable to deliver the Product for any reason, Seller shall have the right to schedule and deliver the Product to another ADI in order to satisfy its delivery obligations, in which case Seller shall be responsible for any additional transmission purchases and/or associated congestion charges incurred by Buyer in connection with Seller's inability to deliver the Product as originally prescheduled. If Buyer fails to timely notify Seller of the unavailability of Firm Transmission, then Buyer shall bear the risk of interruption or curtailment of transmission from the Designated Interface, and the provisions of Section 3D shall apply.

C. Timely Request for Firm Transmission Made by Buyer, Accepted by the Receiving Transmission Provider and not Purchased by Buyer. If Buyer's Timely Request for Firm Transmission is accepted by the Receiving Transmission Provider but Buyer elects to purchase non-firm transmission rather than Firm Transmission to take delivery of the Product, then Buyer shall bear the risk of interruption or curtailment of transmission from the Designated Interface. In such circumstances, if Seller's delivery is interrupted as a result of transmission relied upon by Buyer from the Designated Interface, then Seller shall be deemed to have satisfied its delivery obligations to Buyer, Buyer shall be deemed to have failed to receive the Product and Buyer shall be liable to Seller for amounts determined pursuant to Article Four.

D. No Timely Request for Firm Transmission Made by Buyer, or Buyer Fails to Timely Send Buyer's Rejection Notice. If Buyer fails to make a Timely Request for Firm Transmission or Buyer fails to timely deliver Buyer's Rejection Notice, then Buyer shall bear the risk of interruption or curtailment of transmission from the Designated Interface. In such circumstances, if Seller's delivery is interrupted as a result of transmission relied upon by Buyer from the Designated Interface, then Seller shall be deemed to have satisfied its delivery obligations to Buyer, Buyer shall be deemed to have failed to receive the Product and Buyer shall be liable to Seller for amounts determined pursuant to Article Four.

4. Transmission.

A. Seller's Responsibilities. Seller shall be responsible for transmission required to deliver the Product to the Designated Interface or ADI, as the case may be. It is expressly agreed that Seller is not required to utilize Firm Transmission for its delivery obligations hereunder, and Seller shall bear the risk of utilizing non-firm transmission. If Seller's scheduled delivery to Buyer is interrupted as a result of Buyer's attempted transmission of the Product beyond the Receiving Transmission Provider's system border, then Seller will be deemed to have satisfied its delivery obligations to Buyer, Buyer shall be deemed to have failed to receive the Product and Buyer shall be liable to Seller for damages pursuant to Article Four.

B. Buyer's Responsibilities. Buyer shall be responsible for transmission required to receive and transmit the Product at and from the Designated Interface or ADI, as the case may be, and except as specifically provided in Section 3A and 3B, shall be responsible for any costs associated with transmission therefrom. If Seller is attempting to complete the designation of an ADI as a result of Seller's rights and obligations hereunder, Buyer shall co-operate reasonably with Seller in order to effect such alternate designation.

5. Force Majeure. An "Into" Product shall be subject to the "Force Majeure" provisions in Section 1.23.

6. Multiple Parties in Delivery Chain Involving a Designated Interface. Seller and Buyer recognize that there may be multiple parties involved in the delivery and receipt of the Product at the Designated Interface or ADI to the extent that (1) Seller may be purchasing the Product from a succession of other sellers ("Other Sellers"), the first of which Other Sellers shall be causing the Product to be generated from a source ("Source Seller") and/or (2) Buyer may be selling the Product to a succession of other buyers ("Other Buyers"), the last of which Other Buyers shall be using the Product to serve its energy needs ("Sink Buyer"). Seller and Buyer further recognize that in certain Transactions neither Seller nor Buyer may originate the decision as to either (a) the original identification of the Designated Interface or ADI (which designation may be made by the Source Seller) or (b) the Timely Request for Firm Transmission or the purchase of other Available Transmission (which request may be made by the Sink Buyer). Accordingly, Seller and Buyer agree as follows:

A. If Seller is not the Source Seller, then Seller shall notify Buyer of the Designated Interface promptly after Seller is notified thereof by the Other Seller with whom Seller has a contractual relationship, but in no event may such designation of the Designated Interface be later than the prescheduling deadline pertaining to the Transaction between Buyer and Seller pursuant to Section 1.

B. If Buyer is not the Sink Buyer, then Buyer shall notify the Other Buyer with whom Buyer has a contractual relationship of the Designated Interface promptly after Seller notifies Buyer thereof, with the intent being that the party bearing actual responsibility to secure transmission shall have up to 30 minutes after receipt of the Designated Interface to submit its Timely Request for Firm Transmission.

C. Seller and Buyer each agree that any other communications or actions required to be given or made in connection with this "Into Product" (including without limitation, information relating to an ADI) shall be made or taken promptly after receipt of the relevant information from the Other Sellers and Other Buyers, as the case may be.

D. Seller and Buyer each agree that in certain Transactions time is of the essence and it may be desirable to provide necessary information to Other Sellers and Other Buyers in order to complete the scheduling and delivery of the Product. Accordingly, Seller and Buyer agree that each has the right, but not the obligation, to provide information at its own risk to Other Sellers and Other Buyers, as the case may be, in order to effect the prescheduling, scheduling and delivery of the Product

"Native Load" means the demand imposed on an electric utility or an entity by the requirements of retail customers located within a franchised service territory that the electric utility or entity has statutory obligation to serve.

"Non-Firm" means, with respect to a Transaction, that delivery or receipt of the Product may be interrupted for any reason or for no reason, without liability on the part of either Party.

"System Firm" means that the Product will be supplied from the owned or controlled generation or pre-existing purchased power assets of the system specified in the Transaction (the "System") with non-firm transmission to and from the Delivery Point, unless a different Transmission Contingency is specified in a Transaction. Seller's failure to deliver shall be excused: (i) by an event or circumstance which prevents Seller from performing its obligations, which event or circumstance was not anticipated as of the date the Transaction was agreed to, which is not within the reasonable control of, or the result of the negligence of, the Seller; (ii) by Buyer's failure to perform; (iii) to the extent necessary to preserve the integrity of, or prevent or limit any instability on, the System; (iv) to the extent the System or the control area or reliability council within which the System operates declares an emergency condition, as determined in the system's, or the control area's, or reliability council's reasonable judgment; or (v) by the interruption or curtailment of transmission to the Delivery Point or by the occurrence of any Transmission Contingency specified in a Transaction as excusing Seller's performance. Buyer's failure to receive shall be excused (i) by Force Majeure; (ii) by Seller's failure to perform, or (iii) by the interruption or curtailment of transmission from the Delivery Point or by the occurrence of any Transmission Contingency specified in a Transaction as excusing Buyer's performance. In any of such events, neither party shall be liable to the other for any damages, including any amounts determined pursuant to Article Four.

"Transmission Contingent" means, with respect to a Transaction, that the performance of either Seller or Buyer (as specified in the Transaction) shall be excused, and no damages shall be payable including any amounts determined pursuant to Article Four, if the transmission for such Transaction is unavailable or interrupted or curtailed for any reason, at any time, anywhere from the Seller's proposed generating source to the Buyer's proposed ultimate sink, regardless of whether transmission, if any, that such Party is attempting to secure and/or has purchased for the Product is firm or non-firm. If the transmission (whether firm or non-firm) that Seller or Buyer is attempting to secure is from source to sink is unavailable, this contingency excuses performance for the entire Transaction. If the transmission (whether firm or non-firm) that Seller or Buyer has secured from source to sink is interrupted or curtailed for any reason, this contingency excuses performance for the duration of the interruption or curtailment notwithstanding the provisions of the definition of "Force Majeure" in Article 1.23 to the contrary.

"Unit Firm" means, with respect to a Transaction, that the Product subject to the Transaction is intended to be supplied from a generation asset or assets specified in the Transaction. Seller's failure to deliver under a "Unit Firm" Transaction shall be excused: (i) if the specified generation asset(s) are unavailable as a result of a Forced Outage (as defined in the NERC Generating Unit Availability Data System (GADS) Forced Outage reporting guidelines) or (ii) by an event or circumstance that affects the specified generation asset(s) so as to prevent Seller from performing its obligations, which event or circumstance was not anticipated as of the date the Transaction was agreed to, and which is not within the reasonable control of, or the result of the negligence of, the Seller or (iii) by Buyer's failure to perform. In any of such events, Seller shall not be liable to Buyer for any damages, including any amounts determined pursuant to Article Four.

EXHIBIT A

MASTER POWER PURCHASE AND SALE AGREEMENT
CONFIRMATION LETTER

This confirmation letter shall confirm the Transaction agreed to as of April 23, 2001 between Alliance Colton LLC, a California limited liability company ("Party A"), and California Department of Water Resources, acting solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80260 of the Water Code (the "Act"), and not under its powers and responsibilities with respect to the State Water Resources Development System ("Party B"), regarding the sale/purchase of the Product under the terms and conditions as follows:

Seller: Party A

Buyer: Party B

Product:

[] Into _____, Seller's Daily Choice

[] Firm (LD)

[] Firm (No Force Majeure)

[] System Firm

(Specify System: _____)

[X] Unit Firm

(Specify Unit(s): See attached Supplement)

[] Other _____

[] Transmission Contingency (If not marked, no transmission contingency)

[]	FT-Contract Path Contingency	[]	Seller	[]	Buyer
[]	FT-Delivery Point Contingency	[]	Seller	[]	Buyer
[]	Transmission Contingent	[]	Seller	[]	Buyer
[]	Other transmission contingency				

(Specify: _____)

Contract Quantity: See attached Supplement

Delivery Point: See attached Supplement

Contract Price: See attached Supplement

Energy Price: See attached Supplement

Other Charges: See attached Supplement

Delivery Period: See attached Supplement

Special Conditions: See attached Supplement

Scheduling: See attached Supplement

Option Buyer: _____

Option Seller: _____

Type of Option: _____

Strike Price: _____

Premium: _____

Exercise Period: _____

This confirmation letter is being provided pursuant to and in accordance with the Master Power Purchase and Sale Agreement dated as of April 23, 2001 (the "Master Agreement") between Party A and Party B, and constitutes part of and is subject to the terms and provisions of such Master Agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

Party A	Party B
Alliance Colton LLC	California Department of Water Resources, acting solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80260 of the Water Code (the "Act"), and not under its powers and responsibilities with respect to the State Water Resources Development System
By:_____	By:_____
Title: _____	Title: _____
Phone No: _____	Phone No: _____
Fax: _____	Fax: _____

SUPPLEMENT TO THE CONFIRMATION

Between Alliance Colton, LLC, and California Department of Water Resources

Dated as of April 23, 2001

RECITALS:

A. Party A and California Independent System Operator Corporation ("ISO") entered into those Summer Reliability Agreements described on Schedule A (the "Original Agreements") relating to the providing of new generating capacity in the form of peaking capability during the summer period (June 1 through October 31, 2001, 2002 and 2003) from two Generating Facilities.

B. Under Section 80100 of the Water Code, Party B is permitted to contract with any person for the purchase of power on such terms and for such periods as Party B determines and at such prices as Party B deems appropriate.

C. Party B has requested Party A to enter into this Confirmation and the Master Agreement of which this Confirmation is a part in order to replace the Original Agreements.

Definitions

"Acceptance Testing" shall have the meaning set forth in Section 3(b)(ii) of this Supplement.

"Accepted Unit" shall have the meaning set forth in Section 3(b)(ii) of this Supplement.

"Additional Unit Hours" shall have the meaning set forth in Section 3(d) of this Supplement.

"Additional Unit Hours Option" shall have the meaning set forth in Section 3(d)(i) of this Supplement.

"Annual Availability" shall have the meaning set forth, as applicable, in Section 5.1(d)(ii)(C) or Section 5.1(d)(iii)(B) of this Supplement.

"Annual Availability Adjusted MFP" shall have the meaning set forth in Section 5.1(d)(ii)(C) of this Supplement.

"Annual Availability Adjusted OHC" shall have the meaning set forth in Section 5.1(d)(iii)(B) of this Supplement.

"Annual Schedule" shall have the meaning set forth in Section 3(c)(ii) of this Supplement.

"Commercial Operation Date" shall have the meaning set forth in Section 3(b)(ii) of this Supplement.

"Committed Unit Hours" shall have the meaning set forth in Section 3(a) of this Supplement.

"Delivery Period" shall have the meaning set forth in Section 8 of this Supplement.

"Delivery Point" shall have the meaning set forth in Section 4(a) of this Supplement.

"Demonstrated Capacity" shall have the meaning set forth in Section 3(b)(v) of this Supplement.

"Demonstrated Heat Rate" shall have the meaning set forth in Section 3(b)(v) of this Supplement.

"Full Acceptance" shall have the meaning set forth in Section 3(b)(ii) of this Supplement.

"Gas Delivery Point" shall have the meaning set forth in Section 4(b) of this Supplement.

"Generating Facility" shall have the meaning set forth in Section 2 of this Supplement.

"Guaranteed GF Capacity" shall have the meaning set forth in Section 5.1(c)(i) of this Supplement.

"Guaranteed Maximum Heat Rate" shall have the meaning set forth in Section 3(b)(ii) of this Supplement.

"Guaranteed Unit Capacity" shall have the meaning set forth in Section 3(b)(ii) of this Supplement.

"Monthly Availability" shall have the meaning set forth, as applicable, in Section 5.1(d)(i)(A), Section 5.1(d)(ii)(A) or Section 5.1(d)(iii)(A) of this Supplement.

"Monthly Fixed Payment" shall have the meaning set forth in Section 5.1(e) of this Supplement.

"Net Annual Overage" shall have the meaning set forth in Section 6(a) of this Supplement.

"Net Annual Underage" shall have the meaning set forth in Section 6(a) of this Supplement.

"Net Monthly Underage" shall have the meaning set forth in Section 6(a) of this Supplement.

"Operational Hourly Charge" or "OHC" shall have the meaning set forth, as applicable, in Section 3(d)(ii) or Section 3(d)(v) of this Supplement.

"Option Period" shall have the meaning set forth in Section 3(d)(ii) of this Supplement.

"Overage" shall have the meaning set forth in Section 6(a) of this Supplement.

"Overages Account" shall have the meaning set forth in Section 6(b)(ii) of this Supplement.

"Peak Hours" shall have the meaning set forth in Section 3(a) of this Supplement.

"Performance Testing" shall have the meaning set forth in Section 3(b)(v) of this Supplement.

"Prescheduled Day" shall have the meaning set forth in Section 10(b) of this Supplement.

"Summer Availability" shall have the meaning set forth, as applicable, in Section 5.1(d)(i)(B) or Section 5.1(d)(ii)(B) of this Supplement.

"Summer Availability Adjusted MFP" shall have the meaning set forth, as applicable, in Section 5.1(d)(i)(B) or Section 5.1(d)(ii)(B) of this Supplement.

"Summer Availability Period" shall have the meaning set forth in Section 3(a) of this Supplement.

"Underage" shall have the meaning set forth in Section 6(a) of this Supplement.

"Unit" shall have the meaning set forth in Section 2 of this Supplement.

"Unit Hour" shall mean the operation of any Unit for a period of one hour, and with such Unit operating at the full output available from such Unit during such hour (i.e., no partial loading of any Unit).

1. Termination of Original Agreements

With respect to each Generating Facility listed in Schedule A, Party A has entered into the Original Agreements and deposited with the ISO the amounts set forth in Schedule A. Party A intends to enter into an agreement with the ISO ("Termination Agreement"), which shall terminate such Original Agreements. Such Termination Agreement will be substantially in the form set forth in Schedule F attached hereto, and execution of such Termination Agreement is expected on April 13, 2001, shall be a condition precedent to the Parties' obligations under this Confirmation.

2. Unit Firm

(a) All capacity and energy sold and delivered by Party A hereunder, and purchased and received by Party B hereunder, shall be a Unit Firm product, as defined in Schedule P to the Master Agreement, and shall be generated by two (2) nominally rated 40 MW gas-fired power generating facilities, one located at the City of Colton, CA, Drews Substation and the other at the City of Colton, CA, Century Substation (each a "Generating Facility"). Each Generating Facility shall consist of four (4) General Electric GE 10/1 gas turbine generators (each a "Unit"), comprising an aggregate of eight (8) Units. Each Unit is anticipated to have a nominal generating capacity, measured at the generator terminal, of no less than 10.1 MW (gross) per Unit, determined at an ambient air temperature of 59.0 degrees Fahrenheit, an ambient relative humidity of 60.0%, and a power factor of 1.0. In addition, each Unit shall be retrofitted to "Xonon" low-NOx catalytic combustors (or an alternative emissions control system) on or before December 15, 2001. Each Unit shall have an electric generating capacity which varies with the ambient air temperature and relative humidity, and power factor, and which also varies due to degradation between periods of major maintenance overhaul of such Unit.

(b) Party B acknowledges, and Party A agrees, that Party A shall operate, or cause to be operated, the Generating Facilities in compliance with prudent electric industry practices and the manufacturers' maintenance requirements for the Generating Facilities, and as required to maintain the effectiveness of any warranty applicable to such Generating Facilities provided by the construction contractor or any equipment vendor or manufacturer. The term “prudent electric industry practice” shall mean, at a particular time, any of the practices, methods and acts which, in the exercise of reasonable judgment, in light of the facts, including but not limited to, the practices, methods and acts engaged in or approved by a significant portion of the electric generation industry in the United States of America, which would have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, economy, safety and expedition, and which practices, methods standards and acts generally conform to operation and maintenance standards recommended by a facility’s equipment suppliers and manufacturers, applicable facility design limits and all applicable law. Prudent electric industry practice is not intended to be limited to the optimum practice, method or act, to the exclusion of all others, but rather is a spectrum of possible practices, methods and acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition and all applicable law.

3. Contract Quantity

(a) Committed Unit Hours. Party A shall make available from the Generating Facilities, when and as requested by Party B, the electric generating capacity of the Accepted Units solely by delivering up to 1,000 hours of the energy associated with the operation of such Accepted Units during each of ten (10) Summer Availability Periods (the "Committed Unit Hours"). The "Summer Availability Periods" are defined as all of the Peak Hours during the periods of five (5) consecutive months, namely August 1, 2001 through December 31, 2001, June 1, 2002, through October 31, 2002, and June 1 through October 31 of each calendar year thereafter, with the tenth

Summer Availability Period ending on October 31, 2010. The "Peak Hours" are defined as the hours from 8:00 a.m. Prevailing Pacific Time ("PPT") through 12:00 p.m. (midnight) PPT, Monday through Saturday.

(b) Acceptance Testing; Commercial Operation; Performance Testing

(i) Not less than sixty (60) days prior to the first proposed test of a Unit of each Generating Facility, Party A shall deliver to Party B a testing protocol reasonably designated to determine whether each Unit of such Generating Facility is performing in accordance with the specifications set forth in this Confirmation. Party B shall respond to such proposed testing protocol within five (5) Business Days and may request such reasonable changes as it deems reasonably necessary to verify performance capability in accordance with industry practices as defined by Party A. Party A and Party B will use good faith efforts to agree on a final testing protocol no later than ten (10) Business Days prior to the proposed test. Testing shall occur at any time scheduled by Party A which is reasonably acceptable to Party B. During testing of any Unit, Party B shall supply all fuel required at the applicable Gas Delivery Point at no cost to Party A, or Party B shall reimburse Party A for all fuel costs incurred during testing of such Unit. In addition, Party B shall reimburse Party A for all other variable operation and maintenance costs required for testing. Any energy generated during such testing shall accrue to the benefit of Party B and will not be deemed a Unit Hour.

(ii) "Acceptance Testing" shall constitute testing by Party A at the generator terminals of each Unit of the Generating Facilities in accordance with the protocols established as set forth above. "Full Acceptance" of any Unit means demonstration by Party A through Acceptance Testing that such Unit is capable of (a) generating electric capacity that meets or exceeds ninety percent (90%) of the amounts shown for "Output" in Schedule D - Generating Facilities Performance at the conditions specified therein ("Guaranteed Unit Capacity") and (b) a heat rate that is less than or equal to 110% of the amount shown for "Fuel Use" in Schedule D - Generating Facilities Performance at the conditions specified therein ("Guaranteed Maximum Heat Rate"). Acceptance Testing will be conducted at actual conditions at the site of each Unit, with the results of such testing adjusted to reflect the equivalent values for such Unit as if the Acceptance Testing had been performed on such Unit under the conditions set forth in Schedule D. The "Commercial Operation Date" of any Unit shall be the date that such Unit shall have achieved Full Acceptance and such Unit shall from that date forward be considered an "Accepted Unit".

(iii) If the Commercial Operation Date for any Unit has not occurred on or before June 1, 2002, then this Transaction shall terminate with respect to that Unit. This Transaction shall remain in effect for any Accepted Unit which has achieved a Commercial Operation Date on or before June 1, 2002, and for all purposes hereunder the term Generating Facilities shall refer solely to the Accepted Units thereof.

(iv) If none of the Units have achieved a Commercial Operation Date by June 1, 2002, then Party B may terminate this Transaction upon thirty (30) days written notice to Party A.

(v) "Performance Testing" shall constitute testing by Party A at the generator terminals to be performed no more than sixty (60) days prior to the first day of each Summer Availability Period, which shall establish the electric generating capacity and heat rate of the Generating Facilities for the first day of such Summer Availability Period until the next Performance Testing occurs. Performance Testing shall be performed on the Generating Facilities, in the aggregate, and shall be the sum of the electric generating capacity of all of the Accepted Units of the Generating Facilities ("Demonstrated Capacity") and the average of the heat rate of all of the Accepted Units of the Generating Facilities ("Demonstrated Heat Rate"). Not less than thirty (30) days prior to the first proposed Performance Test of the Generating Facilities, Party A shall deliver to Party B a Performance Testing protocol reasonably designed to determine whether the Generating Facilities are performing in accordance with the specifications set forth in this Confirmation. Party A and Party B will use good faith efforts to agree on a final testing protocol no later than ten (10) Business Days prior to the proposed test. The Performance Testing shall establish on an annual basis the Demonstrated Capacity and Demonstrated Heat Rate which shall be adjusted for ambient air temperature and relative humidity, power factor conditions, and degradation as set forth in Schedule D for such Generating Facilities.

(vi) Party A shall have the right to re-test any Unit or Units, or any of the Generating Facilities, at any time and from time to time, when and as required to demonstrate that any Unit has achieved Full Acceptance. Party A shall have the right to re-test, no more than once per month, any Unit or Units, or any of the Generating

Facilities, to increase the Demonstrated Capacity, or decrease the Demonstrated Heat Rate, of the Generating Facilities.

(vii) Throughout the Delivery Period, Party A shall deliver energy from the Accepted Units of the Generating Facilities when and as scheduled by Party B in accordance with this Confirmation, and the generating capacity and the quantity of energy delivered by Party A from the Accepted Units of the Generating Facilities shall fluctuate with the applicable ambient air temperature, ambient relative humidity, and power factor, and shall be subject to further fluctuation depending on the time period between major maintenance overhauls. In addition, energy delivered to Party B at the Delivery Points shall be net of the parasitic load of the Accepted Units of the Generating Facilities and net of any transformation and transmission losses incurred between the generator terminals of the Generating Facilities and the Delivery Points.

(c) Scheduled Maintenance; Major Maintenance.

(i) Party A shall use all commercially reasonable efforts to coordinate maintenance and downtime with Party B and to avoid scheduling any maintenance of any Accepted Unit during any Summer Availability Period; provided, further, that to the extent commercially reasonable, Party A shall endeavor to perform any maintenance of any Accepted Unit required to be performed during any period of June 1 through October 31, whether scheduled or unscheduled, during hours which are not Peak Hours.

(ii) On or before August 1, 2001, and thereafter no later than sixty (60) days prior to the first day of each Summer Availability Period, Party A shall provide a written annual schedule ("Annual Schedule"), indicating therein for each calendar month from the first day of such Summer Availability Period until the first day of the next succeeding Summer Availability Period: (A) the number of Units anticipated to be available during each such month, (B) the Demonstrated Capacity of the Accepted Units of the Generating Facilities from the most recent Performance Testing of the Accepted Units of the Generating Facilities or any Unit thereof, and (C) the anticipated scheduled maintenance hours for each Unit and the month or months in which such maintenance is scheduled. Party B shall review such Annual Schedule and may request changes, if any, to the schedule of maintenance outages scheduled therein no later than fifteen (15) days after receipt of such Annual Schedule. Party A shall accept any commercially reasonable changes to such scheduled maintenance outages requested by Party B and, if necessary to reflect any requested changes, Party A shall resubmit a revised Annual Schedule to Party B no later than thirty (30) days after it submitted its original Annual Schedule. Thereafter during the applicable time period covered by such Annual Schedule, Party A shall submit monthly updates to such Annual Schedule no later than fifteen (15) days prior to the first day of each month indicating therein any changes to the information set forth in the Annual Schedule applicable to such month and any subsequent month included in such Annual Schedule.

(iii) Party A agrees that it will use all commercially reasonable efforts to avoid performing any major maintenance overhaul of any Unit during any Summer Availability Period. Party A and Party B acknowledge that a major maintenance overhaul of each Unit is anticipated to be performed after every 32,000 hours of operation, subject to more frequent maintenance depending on the actual number of starts, original equipment manufacturers' technical recommendations, and related operating cycles of such Unit. Party B acknowledges, and Party A agrees, that Party A shall perform, or cause to be performed, all maintenance, including any major maintenance overhaul, of each Unit in compliance with prudent electric industry practices and the manufacturers' maintenance requirements for such Unit, and as required to maintain the effectiveness of any warranty applicable to such Unit provided by the construction contractor or any equipment vendor or manufacturer.

(d) Additional Unit Hours. Party A commits to make available to Party B certain additional Unit Hours of the Accepted Units of the Generating Facilities ("Additional Unit Hours"), and Party B shall be committed or entitled to purchase such Additional Unit Hours, for different time periods and on different terms as set forth in, and in accordance with this Section 3(d), as follows:

(i) Party B shall have the right, but not the obligation, to require Party A to make available and deliver to Party B an additional quantity of energy up to an additional 1,500 hours multiplied by the number of Accepted Units ("Additional Unit Hours Option"), which may be scheduled by Party B, in accordance with the provisions of this Confirmation, at any time that all of the Accepted Units have not otherwise been scheduled by Party B. If Party B exercises this Additional Unit Hours Option, any Unit Hours scheduled by Party B at any time

outside of the Summer Availability Period, and any Unit Hours scheduled during the Summer Availability Period after a number of Unit Hours equal to 1,000 hours multiplied by the number of Accepted Units has been scheduled and delivered to Party B, shall be considered Unit Hours scheduled, sold and delivered under this Additional Unit Hours Option.

(ii) Under this Additional Unit Hours Option, all of the Accepted Units shall be made available to Party B for up to an additional 1,500 Additional Unit Hours during each of the following time periods: January 1, 2003 through December 31, 2003, for each twelve (12) consecutive months thereafter, until the last period which shall extend from January 1, 2010 through December 31, 2010 (each an "Option Period"); provided, however, that the availability of any Additional Unit Hours shall be subject to the limits, if any, of any air emissions permit, any similar permit, or any other legal requirements which limit the number of hours that any Unit of the Generating Facilities may operate. If Party B desires to exercise this Additional Unit Hours Option for any Option Period, then Party B shall provide written notice of its election to Party A no later than thirty (30) days before the first day of such Option Period, and Party B must designate in such notice the number of Additional Unit Hours to be purchased by Party B during such Option Period and Party B shall have the obligation to take or pay for all such Unit Hours regardless of the Unit Hours scheduled during such Option Period. Party B shall pay to Party A an "Operational Hourly Charge" (or "OHC") of $1,350.00 per Unit Hour for each Unit Hour designated in Party B's notice exercising this Additional Unit Hours Option. To effectuate this take-or-pay obligation, Party B shall pay to Party A for each month during such Option Period a fixed amount equal to one-twelfth of the product of (A) the OHC, multiplied by (B) the number of Units specified in Party B's notice of election up to the number of Accepted Units, multiplied by (C) the number of Additional Unit Hours specified in Party B's notice of election up to 1,500 hours.

(iii) During any Summer Availability Period, operation of the Generating Facilities shall first be allocated to the Committed Unit Hours scheduled by Party B and thereafter to Additional Unit Hours as scheduled by Party B.

(iv) During the time period from August 1, 2001, through December 31, 2001 Party A shall make available, and Party B shall be obligated to purchase, on a take-or-pay basis, 1,000 Additional Unit Hours multiplied by the number of Accepted Units and from January 1, 2002, through December 31, 2002 Party A shall make available, and Party B shall be obligated to purchase, on a take-or-pay basis, 3,000 Additional Unit Hours multiplied by the number of Accepted Units. For this take or pay obligation, the OHC shall not apply and the take or pay costs for such 1,000 Additional Unit Hours and 3,000 Additional Unit Hours are included, respectively, in the Monthly Fixed Payments identified in Section 5.1(e). If Party A is unable, after using all commercially reasonable efforts, to obtain the necessary air emission authorizations to enable Party A to operate the Generating Facilities for 3,000 Additional Unit Hours multiplied by the Accepted Units during calendar year 2002, then Party A's delivery obligation and Party B's purchase obligation shall be reduced to 1,500 Additional Unit Hours multiplied by the Accepted Units, while the Monthly Fixed Payments shall remain the same.

(v) In addition to the Additional Unit Hour Option under Section 3(d)(ii), and subject to Party A receiving the necessary air emission authorizations, during each of calendar years 2003 and 2004, Party A shall endeavor to obtain acceptable gas supplies and shall present its gas supply proposal to Party B no later than October 1, 2002, and if Party B elects, on or before November 1, 2002, to accept such gas supply proposal, then Party B shall be obligated to purchase 3,000 Additional Unit Hours multiplied by the Accepted Units for each of calendar years 2003 and 2004, on a take-or-pay basis. For such 3,000 Additional Unit Hours multiplied by the Accepted Units, Party B shall pay Party A an "Operational Hourly Charge" (or "OHC") of $650.00 per Unit Hour. To effectuate this take-or-pay obligation, Party B shall pay to Party A for each month during each of calendar years 2003 and 2004 a fixed amount equal to one-twelfth of the product of (A) the OHC, multiplied by (B) the number of Accepted Units, multiplied by (C) 3,000 Unit Hours.

(vi) The OHC payments under Section 3(d)(ii) and Section 3(d)(v) do not include amounts for the cost of fuel required to operate each Accepted Unit during such Additional Unit Hours. Party B shall be responsible for arranging for the delivery of sufficient natural gas to the Gas Delivery Points to operate the scheduled number of Accepted Units during each hour for which any Additional Unit Hours are scheduled by Party B during any Option Period either by 1) Party B procuring a gas supply agreement arranged by Party A or 2) Party B providing a gas supply procured through an agreement arranged by Party B. All costs associated with procuring and delivering all

the natural gas required to operate the Generating Facilities for such Additional Unit Hours, as more fully described in Section 7, shall be the responsibility of Party B.

(e) Party A is obligated to make the Accepted Units available to Party B for a period of up to 1,000 Committed Unit Hours during the Summer Availability Periods. Party A shall not be obligated to deliver to Party B a quantity of energy in any hour that exceeds the actual quantity of energy generated by the operation of each Accepted Unit scheduled by Party B during such hour. Party B shall schedule any and all Committed Unit Hours or Additional Unit Hours on a day-ahead basis in accordance with Section 7 of this Supplement. Party A may sell to any third party the energy available from any Unit which is not scheduled on a day-ahead basis by Party B in accordance with Section 7 of this Supplement for the period of time that such Unit has not been scheduled by Party B. Party A may not sell to any third party energy from any Unit which has been scheduled by Party B hereunder, except with Party B's prior consent.

(f) If Party B elects to exercise its Additional Unit Hours Option and desires to schedule any portion of the Additional Unit Hours during any month of such Option Period, then Party B shall advise Party A in a written notice delivered to Party A at least fifteen (15) days prior to the first day of each such month during such Option Period specifying therein the number of Additional Unit Hours that Party B anticipates scheduling during such month. Thereafter during each such month of such Option Period, the quantity of such anticipated Additional Unit Hours specified in Party B's written notice to Party A shall be available for Party B to schedule in accordance with this Confirmation.

(g) If Party A desires to sell a quantity of energy on a month-ahead basis to any third party, which Party A is prohibited from doing during any Peak Hour of any Summer Availability Period, and if Party B has exercised its option for a quantity of Additional Unit Hours during such month in accordance with Section 3(f), then Party A shall so notify Party B, at least twelve (12) days prior to the first day of such month, of its desire to sell and deliver a quantity of energy to such third party for specified hours of specified days during such month, but only to the extent not inconsistent with any Additional Unit Hours specified by Party B in its monthly notice to Party A under Section 3(f) above. If Party B does not notify Party A, within three (3) business days after receipt of such notice from Party A, of Party B's commitment to schedule an additional number of Additional Unit Hours for delivery on specified hours of specified days of such month, then Party B shall have waived its right to schedule such portion of the Additional Unit Hours during the hours and days of such calendar month which Party A intends to sell to a third party, as was specified by Party A in its notice to Party B.

4. Delivery Point

(a) The two (2) "Delivery Points" for all energy generated by the Generating Facilities hereunder, as and when scheduled by Party B in accordance with this Confirmation, shall be as follows: (a) that portion of the energy associated with the operation of the Accepted Units at the Drews Substation Generating Facility shall be delivered at the 66 KV busbar at the Colton, CA, Drews Substation, and (b) that portion of the energy associated with the operation of the Accepted Units at the Century Substation Generating Facility shall be delivered at the 66 KV busbar at the Colton, CA, Century Substation.

(b) All natural gas delivered as fuel for any Unit of the Generating Facilities shall be delivered to the "Gas Delivery Point" applicable to such Unit as shown in Schedule B to this Supplement, with all such natural gas being delivered in the quantities and at the minimum pressure specified by Party A and satisfying the natural gas quality requirements set forth in the tariff provisions of the natural gas company which owns the gas pipeline facilities immediately upstream of the Gas Delivery Points.

5. Contract Price

5.1 Monthly Fixed Payments For Committed Unit Hours.

(a) For each month during any Summer Availability Period, if all eight (8) Units have achieved Full Acceptance, Party B shall pay to Party A a Monthly Fixed Payment for the months and in the amounts set forth in Table 5.1(e).

(b) If less than eight (8) Units have achieved a Commercial Operation Date, then instead of the amount set forth in Section 5.1(a), the Monthly Fixed Payment for each month shall be the amount set forth in Section 5.1(a) multiplied by a fraction, the numerator of which is (i) for any month prior to June 1, 2002, the number of Accepted Units having achieved a Commercial Operation Date by the fifteenth day of such month, or (ii) for any month after June 1, 2002, the number of Accepted Units having achieved a Commercial Operation Date by June 1, 2002, and the denominator of which in either situation is eight (8) Units. If any Unit(s) achieves a Commercial Operation Date prior to August 1, 2001, then and only to the extent that any other Unit does not achieve a Commercial Operation Date until after August 1, 2001, every Accepted Unit that Party A makes available to Party B prior to August 1, 2001, regardless of whether Party B actually schedules such Accepted Unit for operation, shall generate a credit which shall offset the reduction to the Monthly Fixed Payments, if any, for any month(s) during the first Summer Availability Period resulting from the first sentence of this Section 5.1(b). The dollar credit for each Unit made available prior to August 1, 2001, shall be equal to the product of (A) 1/30th of the product of $4,126,400 divided by eight (8), multiplied by (B) the number of days that any Accepted Unit is available prior to August 1, 2001.

(c) The results of the Performance Test of the Generating Facilities performed prior to the beginning of each Summer Availability Period shall be used to adjust the Monthly Fixed Payments for such Summer Availability Period as set forth in this Section 5.1(c).

(i) First, the Guaranteed Unit Capacity multiplied by the number of Accepted Units ("Guaranteed GF Capacity") shall be determined and the Demonstrated Capacity, adjusted to the equivalent Demonstrated Capacity under the same conditions as set forth in Schedule D, shall be compared to such Guaranteed GF Capacity. If such adjusted Demonstrated Capacity is less than 95% of the Guaranteed GF Capacity, then 50% of the Monthly Fixed Payment for each month of such Summer Availability Period shall be multiplied by a fraction, the numerator of which shall be the adjusted Demonstrated Capacity and the denominator of which shall be 95% of the Guaranteed GF Capacity.

(ii) Second, the Demonstrated Heat Rate, adjusted to the equivalent Demonstrated Heat Rate under the same conditions as set forth in Schedule D, shall be compared to the Guaranteed Maximum Heat Rate in Schedule D. If such adjusted Demonstrated Heat Rate is more than 105% of the Guaranteed Maximum Heat Rate, then 50% of the Monthly Fixed Payment for each month of such Summer Availability Period shall be multiplied by a fraction, the numerator of which shall be 105% of the Guaranteed Heat Rate and the denominator of which shall be the adjusted Demonstrated Heat Rate.

(iii) The sum of these two amounts calculated as shown in Sections 5.1(c)(i) and (ii) shall be the Monthly Fixed Payment applicable to each month, subject to further adjustment for any availability shortfall under Section 5.1(d).

(d) The Monthly Fixed Payments for Committed Unit Hours, as adjusted in accordance with Section 5.1(c), shall be subject to a further adjustment based on the availability of the Generating Facilities to satisfy Party B's scheduling requests for Committed Unit Hours. This availability adjustment shall be determined on a monthly basis and then shall be subject to a true-up adjustment at the end of each Summer Availability Period, as set forth in Section 5.1(d)(i). Similarly, for the first Summer Availability Period and calendar year 2002, the Monthly Fixed Payments for Additional Unit Hours, as adjusted in accordance with Section 5.1(c), shall be subject to a further adjustment based on the availability of the Generating Facilities to satisfy Party B's scheduling requests for Additional Unit Hours. This availability adjustment shall be determined on a monthly basis for each of the first Summer Availability Period and calendar year 2002 and then shall be subject to a true-up adjustment at the end of, respectively, the first Summer Availability Period or calendar year 2002, as set forth in Section 5.1(d)(ii). Finally,

beginning on January 1, 2003 and continuing thereafter, for any Option Period in which Party B exercises any Additional Unit Hours Option, the monthly OHC payments for Additional Unit Hours shall be subject to an adjustment based on the availability of the Accepted Units of the Generating Facilities to satisfy Party B's scheduling requests for Additional Unit Hours. This availability adjustment shall be determined on a monthly basis and then shall be subject to a true-up adjustment at the end of each such Option Period as set forth in Section 5.1(d)(iii). Under the natural gas supply provisions of Section 7(b) of this Confirmation, any Unit Hour in which any Accepted Unit(s) is unavailable as a result of the failure of natural gas to be delivered to the applicable Gas Delivery Point(s) due to (x) any reason when Party B is supplying natural gas to the Generating Facilities, or (y) any Force Majeure when Party A is supplying natural gas to the Generating Facilities, shall be deemed to be an hour in which the affected Accepted Units are available for purposes of performing the availability determinations under this Section 5.1(d).

(i) Summer Availability Period-Committed Unit Hours.

(A) Party A shall monitor and report on a monthly basis to Party B the number of Accepted Units available and the hours in which such Accepted Units were available during each month of each Summer Availability Period. The Parties agree that the Summer Availability Period Hours are 2,080 hours. The "Monthly Availability" for the Summer Availability Period shall be as described in Formula One on Schedule E. If this Monthly Availability is less than 0.95, then the Monthly Fixed Payment, as adjusted by Section 5.1(c), shall be multiplied by a fraction the numerator of which is the Monthly Availability and the denominator of which is 0.95. The resulting Monthly Fixed Payment, subject to any further adjustment pursuant to Section 5.1(d)(ii)(A), shall be paid by Party B to Party A for such month.

(B) At the end of each Summer Availability Period in which there was any month in which the Monthly Availability was less than 0.95, the Monthly Availabilities for all the other months in such Summer Availability Period shall also be calculated, added together and divided by the number five (5) to determine the "Summer Availability". If the resulting Summer Availability is equal to or larger than 0.95, then any reduction to the Monthly Fixed Payment for any month of such Summer Availability Period pursuant to Section 5.1(d)(i)(A) shall be added to the monthly invoice for the last month of such Summer Availability Period and shall be paid by Party B to Party A. If the Summer Availability is less than 0.95 then such Summer Availability shall be multiplied by the sum of the five (5) Monthly Fixed Payments, including any adjustment under Section 5.1(c), but excluding any adjustments under Section 5.1(d)(i)(A), to determine the "Summer Availability Adjusted MFP". The sum of the Monthly Fixed Payments resulting from the application of Section 5.1(d)(i)(A), but excluding any further adjustment under Section 5.1(d)(ii)(A), shall then be subtracted from the Summer Availability Adjusted MFP, with any positive amount to be paid by Party A to Party B and any negative amount to be paid by Party B to Party A, within twenty (20) days after the last day of such Summer Availability Period.

(ii) First Summer Availability Period & Calendar Year 2002-Additional Unit Hours.

(A) Party A shall monitor and report on a monthly basis to Party B the number of Accepted Units available and the hours in which such Accepted Units were available during each month of the first Summer Availability Period and calendar year 2002. The Parties agree that the Summer Availability Period Hours are 2,080 hours and the calendar year 2002 hours are 8760. The "Monthly Availability" for Additional Unit Hours in the first Summer Availability Period shall be as described in Note 2 to Formula Two on Schedule E. The "Monthly Availability" for Additional Unit Hours in calendar year 2002 shall be as described in Formula Two on Schedule E. If this Monthly Availability is less than 0.95, then the Monthly Fixed Payment, as adjusted by Section 5.1(c) and, as applicable, by Section 5.1(d)(i)(A), shall be multiplied by a fraction the numerator of which is the Monthly Availability and the

denominator of which is 0.95. The resulting Monthly Fixed Payment shall be paid by Party B to Party A for such month.

(B) At the end of the first Summer Availability Period if there was any month in which the Monthly Availability was less than 0.95, the Monthly Availabilities for all the other months in the first Summer Availability Period shall also be calculated, added together and divided by the number five (5) to determine the "Summer Availability". If the resulting Summer Availability is equal to or larger than 0.95, then any reduction to the Monthly Fixed Payment for any month of such first Summer Availability Period pursuant to Section 5.1(d)(ii)(A) and Section 5.1(d)(i)(A) shall be added to the monthly invoice for the last month of such first Summer Availability Period and shall be paid by Party B to Party A. If the Summer Availability is less than 0.95 then such Summer Availability shall be multiplied by the sum of the five (5) Monthly Fixed Payments, including any adjustments under Section 5.1(c) and Section 5.1(d)(i)(A), but excluding any adjustments under Section 5.1(d)(ii)(A), to determine the "Summer Availability Adjusted MFP". The sum of the Monthly Fixed Payments resulting from the application of Section 5.1(d)(ii) shall then be subtracted from the Summer Availability Adjusted MFP, with any positive amount to be paid by Party A to Party B and any negative amount to be paid by Party B to Party A, within twenty (20) days after the last day of such first Summer Availability Period.

(C) At the end of calendar year 2002 if there was any month in which the Monthly Availability was less than 0.95, the Monthly Availabilities for all the other months in calendar year 2002 shall also be calculated, added together and divided by the number twelve (12) to determine the "Annual Availability". If the resulting Annual Availability is equal to or larger than 0.95, then any reduction to the Monthly Fixed Payment for any month of calendar year 2002 pursuant to Section 5.1(d)(ii)(A) shall be added to the monthly invoice for the last month of calendar year 2002 and shall be paid by Party B to Party A. If the Annual Availability is less than 0.95 then such Annual Availability shall be multiplied by the sum of the twelve (12) Monthly Fixed Payments, including any adjustment under Section 5.1(c) and Section 5.1(d)(i)(A), but excluding any adjustments under Section 5.1(d)(ii)(A), to determine the "Annual Availability Adjusted MFP". The sum of the Monthly Fixed Payments resulting from the application of Section 5.1(d)(ii) shall then be subtracted from the Annual Availability Adjusted MFP, with any positive amount to be paid by Party A to Party B and any negative amount to be paid by Party B to Party A, within twenty (20) days after the last day of calendar year 2002.

(iii) Option Period-Additional Unit Hours.

(A) Party A shall monitor and report on a monthly basis to Party B the number of Accepted Units available and the hours in which such Accepted Units were available during each month of each Option Period in which Party B exercises any Additional Unit Hours Option. The Parties agree that the Option Period hours are 8760. The “Monthly Availability” for Additional Unit Hours in each Option Period in which Party B exercises any Additional Unit Hours Option shall be as described in Formula Two on Schedule E. If this Monthly Availability is less than 0.95, then the monthly OHC payments shall be multiplied by a fraction the numerator of which is the Monthly Availability and the denominator of which is 0.95. The resulting monthly OHC payment shall be paid by Party B to Party A for such month.

(B) At the end of each Option Period in which Party B exercises any Additional Unit Hours Option, if there was any month in which the Monthly Availability was less than 0.95, the Monthly Availabilities for all the other months in such Option Period shall also be calculated, added together and divided by the number twelve (12) to determine the "Annual Availability". If the resulting Annual Availability is equal to or larger than 0.95, then any reduction to the monthly OHC payment for any month of such Option Period pursuant to Section 5.1(d)(iii)(A) shall be added to the monthly invoice for the last month of such Option Period and shall be paid by Party B to Party A. If the Annual Availability is less

than 0.95 then such Annual Availability shall be multiplied by the sum of the twelve (12) monthly OHC payments, excluding any adjustments under Section 5.1(d)(iii)(A), to determine the "Annual Availability Adjusted OHC". The sum of the monthly OHC payments resulting from the application of Section 5.1(d)(ii) shall then be subtracted from the Annual Availability Adjusted OHC, with any positive amount to be paid by Party A to Party B and any negative amount to be paid by Party B to Party A, within twenty (20) days after the last day of such Option Period.

(e) Table 5.1(e). The Monthly Fixed Payments will be as follows:

10.12Month, Year	Monthly Fixed Payment
August, 2001	$4,126,400
September, 2001	$4,126,400
October, 2001	$4,126,400
November, 2001	$4,126,400
December, 2001	$4,126,400
January, 2002	1,350,000
February, 2002	1,350,000
March, 2002	1,350,000
April, 2002	1,350,000
May, 2002	1,350,000
June, 2002	$4,449,600
July, 2002	$4,449,600
August, 2002	$4,449,600
September, 2002	$4,449,600
October, 2002	$4,449,600
November, 2002	1,350,000
December, 2002	1,350,000
June, 2003	$3,113,200
July, 2003	$3,113,200
August, 2003	$3,113,200
September, 2003	$3,113,200
October, 2003	$3,113,200
June, 2004	$3,127,200
July, 2004	$3,127,200
August, 2004	$3,127,200
September, 2004	$3,127,200
October, 2004	$3,127,200
June, 2005	$3,141,600
July, 2005	$3,141,600
August, 2005	$3,141,600
September, 2005	$3,141,600
October, 2005	$3,141,600
June, 2006	$3,156,500
July, 2006	$3,156,500
August, 2006	$3,156,500

September, 2006	$3,156,500
October, 2006	$3,156,500
June, 2007	$3,171,800
July, 2007	$3,171,800
August, 2007	$3,171,800
September, 2007	$3,171,800
October, 2007	$3,171,800
June, 2008	$3,187,600
July, 2008	$3,187,600
August, 2008	$3,187,600
September, 2008	$3,187,600
October, 2008	$3,187,600
June, 2009	$3,203,800
July, 2009	$3,203,800
August, 2009	$3,203,800
September, 2009	$3,203,800
October, 2009	$3,203,800
June, 2010	$3,220,500
July, 2010	$3,220,500
August, 2010	$3,220,500
September, 2010	$3,220,500
October, 2010	$3,220,500

5.2 Take-or-Pay

(a) The obligation of Party B to make Monthly Fixed Payments to Party A for Committed Unit Hours, for 1,000 Additional Unit Hours in the first Summer Availability Period, and for 3,000 Additional Unit Hours in calendar year 2002, shall be “take or pay”, meaning that Party B will be required to make such payment, whether or not it actually schedules any number of such Unit Hours of operation for the delivery of energy to Party B hereunder, provided, that Party A is prepared to deliver the Guaranteed Unit Capacity for each Accepted Unit during the Committed Unit Hours. Party B shall not be excused from its obligations to make Monthly Fixed Payments to Party A, as a result of any Force Majeure in which Party B is the Claiming Party.

(b) The obligation of Party B to make monthly OHC payments for all Additional Unit Hours under the Additional Unit Hours Option shall be "take-or-pay", meaning that Party B will be required to make such payment, whether or not it actually schedules any number of such Unit Hours of operation for the delivery of energy to Party B hereunder. Party B shall not be excused from its obligation to make monthly OHC payments to Party A as a result of any Force Majeure in which Party B is the Claiming Party.

6. Other Charges

(a) Party B may elect, at its option to be exercised by providing written notice to Party A no later than May 15, 2001, to provide Scheduling Coordinator services to Party A in accordance with the provisions of this Section 6(a).

(i) Party B shall provide Scheduling Coordinator services for the quantities of energy scheduled by Party A from the Generating Facilities as a result of the number of Unit Hours requested by Party B. Party B shall pay costs and receive revenues for all scheduling coordination costs, imbalance charges or revenues, other charges or revenues for ancillary services, congestion management revenues or fees, and any other locational availability revenues or fees, that may be paid to or assessed against the Generating Facilities as the result of actual

operation of the Generating Facilities. Party A shall pay to Party B an annual fee of $300,000 for all scheduling coordination fees, imbalance charges or other charges for ancillary services assessed against the Generating Facilities resulting from, but not limited to, deliveries of a greater quantity of energy in kWh ("Overage") or a lesser quantity of energy in kWh ("Underage") than the quantity of energy that was indicated in the schedules provided to Party B by Party A for delivery into the ISO-controlled grid; provided, however, that Party A shall be entitled to change the quantities of energy previously identified in any schedule given to Party B upon no less than 3 hours notice. In 2001, Party A shall transfer the annual payment to Party B within 10 days prior to the expected Commercial Operation Date of the first Accepted Unit. In the following years, annual payments shall be transferred from Party A to Party B within 10 days after the first day of the calendar year for such Scheduling Coordinator services. Party A shall coordinate with Party B to manage the scheduled quantity of energy to "target" an annual, net "Overage" of approximately 3 percent based on the quantity of energy scheduled on a day-ahead basis from the Generating Facilities, as determined practical on a daily basis by Party A. Party A, at its expense, shall install all telemetry meters as requested by Party B to provide Scheduling Coordinator services for the Generating Facilities.

(ii) In addition to the annual fee of $300,000, if Party A experiences any net hourly Underage under this Agreement, based on the hourly results for all Underages and Overages from scheduled operations under this Agreement during such hour, then all such hourly Underages incurred under this Agreement shall first be offset by any Overages incurred under this Agreement in such month or in any previous month during the same calendar year which have not yet been offset against any hourly Underage, to establish the net monthly Underages under this Agreement, if any, for such month ("Net Monthly Underages"), and to the extent of any Net Monthly Underage occurring in any month, Party A shall make an additional monthly payment to Party B equal to (i) the average of the hourly per-kWh imbalance energy charges incurred by Party B for all hourly Underages incurred under this Agreement in such month multiplied by (ii) the kWh equivalent of any Net Monthly Underages occurring under this Agreement in such month. At the end of each calendar year, Party A shall determine the kWh equivalent of the net Overages and net Underages incurred under this Agreement for such calendar year to establish the net annual Overage or net annual Underage for such calendar year ("Net Annual Overage" or "Net Annual Underage"). To the extent that there is a Net Annual Overage for such calendar year, Party B shall repay to Party A any amounts paid by Party A to Party B during such calendar year for any Net Monthly Underages. Similarly, if there is a Net Annual Underage for such calendar year, but such Net Annual Underage is less than the sum of the Net Monthly Underages for such calendar year, then Party B shall repay to Party A an amount equal to the product of (x) the average of the monthly average per kWh imbalance energy charges included in the amounts paid by Party A for each month of such calendar year in which there was a Net Monthly Underage, multiplied by (y) the amount by which the the sum of the Net Monthly Underages for such calendar year exceeds the Net Annual Underages for such calendar year. Party B shall make the relevant portions of its books and records available to Party A and Party A shall have the right to audit such portions of Party B's books and records, either directly or through an independent auditor, in order to confirm the monthly and annual amounts paid by Party A and repaid to Party A pursuant to this Section 6(a)(ii).

(b) If Party B does not elect to provide Scheduling Coordinator services to Party A under Section 6(a), then, in accordance with the provisions of this Section 6(b), Party A shall provide, or arrange through a third party to provide, Scheduling Coordinator services for the quantities of energy scheduled by Party A from the Generating Facilities as a result of the number of Unit Hours requested by Party B.

(i) Party A shall pay costs and receive revenues for all scheduling coordination costs, imbalance charges or revenues, other charges or revenues for ancillary services, congestion management revenues or fees, and any other locational availability revenues or fees, that may be paid to or assessed against the Generating Facilities as the result of actual operation of the Generating Facilities. Regardless of the quantity of Unit Hours requested by Party B, Party A shall be entitled to change the quantities of energy previously identified in any schedule given to Party B upon no less than 3 hours notice. Party A shall coordinate with Party B to manage the scheduled quantity of energy to "target" an annual, net "Overage" of approximately 3 percent based on the quantity of energy scheduled on a day-ahead basis from the Generating Facilities, as determined practical on a daily basis by Party A. Party A, at its expense, shall install all telemetry meters necessary to provide Scheduling Coordinator services for the Generating Facilities.

(ii) Party A shall maintain an account ("Overages Account") for all Overages occurring during the Delivery Period, setting forth in such account the fees owed by ISO to Party A for such Overages, the cash amount

of any fees actually paid by ISO for such Overages, and any receivable for such Overages owed by ISO to Party A. If Party A experiences any Underage(s) during any month under this Agreement and has to pay an imbalance charge or similar charge for such Underage to ISO, then Party A shall first withdraw any cash balance in this Overages Account to pay such charges owed to ISO for such Underage. If, after first withdrawing any cash balance in this Overages Account, there remains any imbalance charge or other charge owed to ISO for such Underage in any month, then (A) Party B shall pay to Party A the amount of any such imbalance charge or other charges associated with such Underage, not to exceed the balance of any receivable for unpaid fees for Overages unpaid by ISO to Party A in this Overages Account, prior to the date that such payment is due from Party A to ISO, (B) Party A shall assign to Party B the right to receive from ISO an amount of accrued fees for Overages equal to the amount of the imbalance charges or other charges paid by Party B to Party A for any such Underage, and (C) Party A shall reduce the balance remaining in such Overages Account by the amount of any cash withdrawn therefrom by Party A and any receivable assigned to Party B therefrom. Party A shall include an accounting for any imbalance charges or other charges owed for Underages in its monthly invoice to Party B under this Confirmation, shall set forth therein the amounts, if any, owed to Party A by Party B under this Section 6(b)(ii), and shall attach to such invoice an assignment of any receivable from ISO assigned to Party B under this Section 6(b)(ii). As provided in this Section 6(b)(ii), Party B shall pay to Party A any amounts set forth in any monthly invoice hereunder for imbalance charges or other charges owed by Party A for any such Underages and at the end of each calendar year, any cash balance remaining in this Overages Account shall be paid to Party B and any receivable from ISO remaining in such Overages Account shall be assigned to Party B.

(c) Under current ISO rules, the Scheduling Coordinator is entitled to modify the quantities of energy previously identified in any schedule given to the ISO upon no less than 3 hours notice, for example to adjust the scheduled quantity of energy in the case of an unexpected outage at the Generating Facilities. On this basis, Party A shall have an option, that may be exercised from time to time upon no less than 3 hours notice to Party B, to schedule one less Unit ("Reserved Unit") than the number of Accepted Units requested by Party B, which Reserved Unit shall nevertheless be operated by Party A and shall be considered as an available Unit for purposes of the determinations under Section 5.1(d), but the hours of operation of such Reserved Unit shall not be included in the Unit Hours scheduled and delivered to Party B. All revenues received for the energy generated by such Reserved Unit shall be held in a separate account maintained by Party A, with the balance remaining in such account at the end of each month to be withdrawn and retained by Party B. In addition, if the revenues received for the energy generated by any such Reserved Unit during any month, calculated as the average of the sales price received for such energy during such month, do not equal or exceed the sum of (i) the equivalent energy price per-kWh calculated by Party A using the Contract Price under Section 5.1 of this Confirmation, plus (ii) the average of the actual cost of gas consumed to generate each kWh during such month by the Reserved Unit, then Party A shall deposit into such account an amount equal to the shortfall in such revenues from the Reserved Unit. Party A shall be allowed to withdraw from such account amounts equal to any imbalance charges incurred by Party A as a result of any Underage(s) incurred during such month or any previous month during the same calendar year. Party A shall be entitled to exercise, at any time and from time to time during any calendar year, the option described in this Section 6(c) to withhold from Party B a quantity of Unit Hours from any available Accepted Unit, provided that the quantity of Unit Hours so withheld by Party A shall not exceed: (i) 500 Unit Hours for the Peak Period hours of the first Summer Availability Period; (ii) 375 Unit Hours for the Peak Period hours during calendar year 2002; and (iii) 300 Unit Hours during the Peak Period hours of each calendar year thereafter during the Delivery Period. At the end of each calendar year during the Delivery Period, any balance remaining in such account shall be withdrawn from such account and retained by Party B.

(d) As between Party A and Party B, Party B shall be responsible for recovering any and all fees owed by the ISO for any Overages generated by the Generating Facilities or for any energy generated by a Reserved Unit, Party B's obligation to pay or repay any amounts owed to Party A under this Confirmation shall not be delayed, excused, or in any way reduced by any failure of the ISO to make any payment when due to Party B, and Party A shall have no liability to Party B for any amounts owed by the ISO for any Overage(s) generated by the Generating Facilities or for any energy generated by a Reserved Unit.

(e) The Scheduling Coordinator for the Generating Facilities, whether Party B under Section 6(a) or Party A (or a third party) under Section 6(b), must be certified by the ISO for the purposes of undertaking the scheduling

functions of generating units as specified in Section 2.6.6 of the ISO's tariff, as such tariff may be modified or amended and in effect from time to time.

(f) If Party A desires to generate and deliver capacity and/or energy from the Generating Facilities to any third party, including any energy generated by any Reserved Unit pursuant to the provisions of Section 6(c), then Party B, if it is providing Scheduling Coordinator services pursuant to Section 6(a), shall provide Scheduling Coordinator services to Party A under Section 6(a) for such additional capacity and/or energy when and as requested by Party A. Except for any energy generated by any Reserved Unit for delivery to any third party, the provisions of Sections 6(a), and 6(c) applicable to Underages and Overages shall not apply to any capacity and/or energy generated by the Generating Facilities for delivery to any third party and, as between Party A and Party B, Party A shall be liable for all costs associated with any Underages, and Party A shall receive all revenues associated with any Overages, arising in connection with such deliveries from the Generating Facilities to any third party.

7. Fuel Provisions

(a) The Monthly Fixed Payments and the OHC payments do not include the costs of securing, delivering, balancing, scheduling and transporting natural gas supplies to the Generating Facilities, including any administrative costs and the costs of any letter(s) of credit or other credit support/enhancement required to procure gas supplies or gas transportation ("Fuel Costs"). Payment for all Fuel Costs incurred to operate any Accepted Unit of the Generating Facilities to produce any Committed Unit Hour or any Additional Unit Hour scheduled by Party B hereunder, shall be the responsibility of Party B during the Delivery Period of this Confirmation. Party B may either make arrangements for securing, delivering, balancing, scheduling and transporting natural gas supplies to the Gas Delivery Points (identified in Schedule B hereto) or direct Party A to do so, in which case Party B shall pay Party A for all such Fuel Costs actually incurred by Party A. Within 90 days following execution of this Confirmation, Party A shall provide a summary of potential gas supply options (including transportation) and costs for securing 1) 5-year gas supply contract for 1,000 hours of 80 MW during the Summer Availability Periods, 2) a 2-year gas contract for the Additional Unit Hours requested (4000 hours total) for years 2001 and 2002, and 3) a 3 and 4 year contract for 3000 Additional Unit Hours in both years 2003 and 2004, to Party B for its review and consideration. Based on a review and any optimization that can be achieved, Party B may elect to have Party A procure the 5-year supply of gas (and any proposed optional supply) on such terms and conditions as were reviewed and approved by Party B; provided, further, that Party A and Party B may mutually agree to other gas supply arrangements under which Party A will secure gas for delivery to the Gas Delivery Points; provided, however, that if Party B does not elect to accept any of the above-described gas supply arrangements prior to the expiration date designated by Party A for each such arrangement, then Party B shall be solely responsible for procuring and delivering to the Gas Delivery Points all gas required to generate the energy scheduled by Party B hereunder. If Party B and Party A agree on a gas supply arrangement in which Party A supplies the gas required hereunder, then Party A shall procure and deliver natural gas to the Gas Delivery Points and the actual Fuel Costs incurred by Party A will be reimbursed by Party B to Party A based on monthly gas deliveries to the Generating Facilities over the term of such gas supply arrangement. At the expiration of the period of time covered by any gas supply arrangement in which Party A is supplying gas to the Gas Delivery Points, the Parties agree to use this same procedure (as specified in the two preceding sentences) to establish the gas supply arrangements for a mutually agreed subsequent period of time. At any time and from time to time when Party B is procuring gas for delivery to the Gas Delivery Points, Party B may request that the Parties use this same procedure (as specified in the preceding sentences) to establish the gas supply arrangements for a mutually agreed subsequent period of time. If necessary and requested by Party B, and under similar terms and conditions as described above, Party A shall also annually provide a summary of potential gas supply options and costs for an annual gas supply contract at least 60 days before the end of each calendar year.

(b) Notwithstanding the foregoing, Party B may, in its sole discretion, elect not to request Party A to supply natural gas, choosing to supply natural gas to the Generating Facilities itself. If Party B supplies the gas for the Generating Facilities, then Party B will make gas supply payments directly to the supplier. If Party B requests Party A to supply the natural gas, Party A will do so at cost, with no markup or profit, but Party A shall have no obligation to generate and deliver energy to Party B hereunder if and to the extent that any such required quantity of gas is not delivered to the applicable Gas Delivery Points. If Party B supplies the gas, then Party A shall have no obligation to generate and deliver energy to Party B hereunder if and to the extent that Party B failed to deliver the required quantity of gas to the applicable Gas Delivery Points.

(c) Regardless of the actual heat rate of any Unit, which will vary with ambient air temperature and relative humidity, with power factor, and with Unit degradation, Party B shall pay the cost of all the natural gas or other fuel required by the Generating Facilities to operate for any Committed Unit Hours and Additional Unit Hours scheduled by Party B.

8. Delivery Period

The Delivery Period shall commence on the Commercial Operation Date of the first Accepted Unit and shall expire on the earlier to occur of December 31, 2010, or any earlier date that this Transaction is terminated in accordance with the terms of the Confirmation and/or the Master Agreement.

9. Special Conditions

(a) Party A shall deliver invoices to Party B monthly within ten (10) days following the end of each month. Payments shall be due by Party B in accordance with the payment terms of this Confirmation and the Master Agreement.

(b) Party A shall have no liability under Section 4.1 of the Master Agreement for Party B's cover costs as a result of any unavailability of the Generating Facilities to operate to deliver energy during any Unit Hours scheduled by Party B, except to the extent that any such unavailability is due to the gross negligence, willful misconduct or intentional breach of Party A hereunder.

(c) If Party A is unable to obtain the necessary air emission authorizations or any other similar license, permit or governmental authorization on or before June 1, 2002, then Party A may terminate this Confirmation without any liability to Party B in connection with this Confirmation or the 2001A Transaction.

(d) No later than thirty (30) days after the date that the first Unit of the Generating Facilities achieves its Commercial Operation Date, Party A, in its sole discretion, shall either (i) deliver to Party B a Letter of Credit (as defined in the Master Agreement) for the benefit of Party B with a face amount of $5,000,000 ("LC"), or (ii) grant to Party B a lien, mortgage or other security interest in the Generating Facilities ("Lien"), in order to secure Party B's interest in this Confirmation on commercially reasonable terms that are reasonably acceptable to both Party A and Party B. From time to time, Party A may, at its sole discretion, replace the Lien with an LC or replace the LC with a Lien.

(i) If Party A elects to grant a Lien to Party B, then Party B agrees to make such Lien a subordinated security interest, which shall be subordinated to any secured lender(s), including any secured lender(s) that is an affiliate of Party A, its members, partners or shareholders, that extends financing, including any refinancing, of the Generating Facilities to Party A and the terms of such subordination shall be commercially reasonable terms reasonably acceptable to such secured lender(s) and mutually agreed to by Party A and Party B acting reasonably.

(ii) If Party A elects to deliver an LC, then Party B shall be entitled to draw on the LC under the following circumstances: (A) no drawing shall be permitted under such LC until the later to occur of the day immediately following the Commercial Operation Date of all eight (8) Units of the Generating Facilities or June 1, 2002, (B) if any payment owed to Party B by Party A has not been paid by the date such payment is due, then Party B may give Party A written notice indicating that such amount is past due and that Party B intends to draw on the LC for the amounts owed, and (C) if Party A has not paid such amount on or before five (5) Business Days after Party A receives such written notice from Party B, then Party B may draw on the LC for an amount equal to such past due payment.

(e) Party B agrees that it will only look to Party A to satisfy Party A's obligations hereunder, and that Party B shall not have recourse to any shareholder, officer, employee, partner or member of Party A to satisfy such obligations.

10. Scheduling

(a) During the Peak Hours (being the sixteen (16) hours from 8:00 a.m. PPT to 12:00 p.m. (midnight) PPT) on each Monday through Saturday during any Summer Availability Period, Party B may schedule, on a day-ahead basis, the generation and delivery of energy at the Delivery Points, equal to (i) zero Unit Hours, or (ii) up to the number of Unit Hours equal to 16 hours multiplied by the number of Accepted Units; provided, however, that such scheduled Unit Hours may not exceed the Committed Unit Hours plus any Additional Unit Hours available to Party B in accordance with this Confirmation. In addition, Party B may adjust its day-ahead schedule on a "real-time" basis; provided, however, that (X) such adjusted schedule of Unit Hours may not exceed the Committed Unit Hours plus any Additional Unit Hours available to Party B in accordance with this Confirmation, (Y) Party B reimburses Party A for any and all fuel related costs and imbalance charges incurred by Party A in accommodating any such adjustment to Party B's day-ahead schedule, and (Z) Party A shall not be obligated to increase the number of Unit Hours scheduled by Party B to the extent that any such Unit Hours have been scheduled for delivery to any third party as permitted by this Confirmation. Party A shall notify Party B on a monthly and weekly basis of the anticipated Unit Hours that will be available from each Accepted Unit of the Generating Facilities during each day of the pending calendar month or week, as applicable, including therewith the anticipated electric generating capacity of each such Unit at different forecast ambient air temperatures and no less than fourteen (14) days notice of any scheduled outage of any Accepted Unit of the Generating Facilities. Party B shall notify Party A of the number of Accepted Units to be dispatched on any day (the "Prescheduled Day") no later than sixty (60) minutes prior to the earliest to occur of (A) 3:00 p.m. PPT on the business day preceding the Prescheduled Day, (B) the day-ahead scheduling deadlines for transmission on such Prescheduled Day imposed by the ISO or any regional transmission organization providing transmission services in the region, or (C) the day-ahead scheduling deadline for any day-ahead market for electric energy that may be in effect from time to time in the region for such Prescheduled Day.

(b) Each request for operation of any one or more Accepted Units, scheduled by Party B to operate and deliver energy to Party B at the Delivery Points on any day, shall specify (i) a number of Accepted Units to be operated at an even rate for a sixty (60) consecutive minute period beginning at the top of each hour, (ii) the operation of such number of Accepted Units for each Accepted Unit's full output and for periods of time not smaller than eight (8) consecutive hours, and (iii) the desired power factor ranging between 0.8 leading and 0.8 lagging. All generation and deliveries of energy shall be subject to the physical operating characteristics of the Generating Facilities, including a minimum down time between start-ups of two hours, restrictions on cold and warm start-up times and ramp rates as specified by the equipment manufacturers, and there shall be no more than one start per day of each Accepted Unit, subject to an increase to two starts per day per Accepted Unit at any time that Party B has exercised the Additional Unit Hours Option and has scheduled Additional Unit Hours for such day. In any event, there shall be no more than two start-ups of each Accepted Unit of the Generating Facilities permitted within any twenty-four consecutive hour period.

(c) On a monthly basis, Party A shall provide to Party B a summary of all Unit Hours supplied to Party B during the prior month. If Party B does not notify Party A of a disputed item, within five (5) Business Days after receipt of such notice from Party A, then Party B shall have waived its right to dispute such summary.

Schedule A

Original Agreements

1. Summer Reliability Agreement, dated as of November 21, 2000, between Alliance Colton, LLC, and California Independent System Operation Corporation.
2. Summer Reliability Agreement, dated as of November 21, 2000, between Alliance Colton, LLC, and California Independent System Operation Corporation.

Deposits of Collateral

Generating Facility	Initial Deposit	Current Balance
Century	**$72,000**	**$73,134.815**
Drews	**$72,000**	**$73,134.815**

Schedule B

Generating Facility Characteristics and Party A's Commitments

1. Description of Generating Facility:

Drews and Century Substations: Four simple-cycle GE-10 gas turbines at each substation in Colton, California. The Units will have permit enabling up to 1000 hours of operation per year prior to Xonon or SCR installation and at least 2,500 hours thereafter.

2. Unit(s) providing Committed Unit Hours (at ISO conditions):

Unit Name	Drews 1 – 4	Century 1 – 4
Maximum Load (MW)	**1***	**1***
Heat Input at Maximum Load, mmBTU/Hour (HHV)	**1***	**1***

Note 1* Refer to Schedule D for values

3. Gas Delivery Points

Drews: New Socal gas meter to be installed in the northeast corner of the Drews Substation.

Century: New Socal gas meter to be installed at the western end of the Century Substation.

4. Energy Delivery Points:

Interconnection Point*	Voltage
Colton, CA, Colton Substation (SCE)	66KV

*Designate as the Delivery Point for Committed Capacity from the Units located at the Drews Substation Generating Facility.

Interconnection Point*	Voltage
Colton, CA, Colton Substation (SCE)	66 KV

*Designated as the Delivery Point for Committed Units from the Units located at the Century Substation Generating Facility.

5. Metering and Related Arrangements

Meter Location	Meter (Manufacturer & Model No.)

6. Project Development Schedule•

Major Milestone Activity	Milestone Completion Date
Acquisition of Land Use Permit	December, 2000
Acquisition of Air Permit	April, 2001 (expected)
Approval of the Gas Interconnection	January, 2001
Approval of the Electrical Interconnection	December, 2000
Delivery of all Required Equipment	June/July 2001
Start of Construction	April, 2001
Completion of Gas interconnection	May, 2001
Completion of Electric Interconnection	June/July 2001
Facility ready for test	June/July 2001
Commercial Operation Date	July 31, 2001

• To be based on Party A's response to the Request for Bids. This Schedule will specify milestone dates for significant Generating Facility development activities, including, without limitation, but only where applicable, milestone dates for the date construction of the Generating Facility is to begin and the date it is to be completed; the date construction of any necessary interconnection facilities is to begin and the date it is to be completed; the dates by which Party A is to obtain necessary land rights, permits, fuel and water arrangements, interconnection and metering and telemetry arrangements, and any necessary contractual commitments with third parties; and the Commercial Operation Date.

Schedule C

Insurance Requirements

Party A shall furnish Party B a certificate of insurance for the Generating Facilities. Party A shall name Party B as an additional insured on its commercial general liability insurance policies. Party A shall have the right to self-insure if the Parties mutually agree.

Commercial General Liability

Commercial general liability insurance covering personal injury and property damage to third parties in connection with the activities at the Generating Facility. The coverage and per occurrence limit shall be no less than $5,000,000.

Property

Property insurance for direct physical loss or damage to the Generating Facility, in an amount not less than the probable maximum loss at the Generating Facility.

Schedule D

Generating Facility Performance

Ambient Air Temperature, F	Output KW	Fuel Use HHV, mmBTU/Hour
40	10879	135.4
50	10531	132.5
59	10127	129.2
60	10127	129.2
70	9598	124.8
71	9552	124.4
72	9506	124.0
73	9459	123.6
74	9413	123.3
75	9367	122.9
76	9321	122.5
77	9275	122.1
78	9229	121.8
79	9182	121.4
80	9104	120.8
81	9057	120.4
82	9011	120.0
83	8965	119.7
84	8919	119.3
85	8873	118.9
86	8827	118.5
87	8780	118.2
88	8734	117.8
89	8688	117.4
90	8642	117.0
91	8592	116.6
92	8542	116.2
93	8492	115.8
94	8442	115.4
95	8392	114.9
96	8342	114.5
97	8292	114.1
98	8242	113.7
99	8192	113.3
100	8142	112.8

Note: The above Unit performance values show the Fuel Use and the gross Output of a Unit, at different ambient air temperatures, measured at the generator terminals, with a power factor of 1.0, and an ambient relative humidity of 60.0%. The above Unit performance values are also subject to degradation, in accordance with the equipment manufacturers' expectations, which is partially restored by major maintenance overhaul of a Unit, but is dependent on the actual number of starts and operating hours of each Unit.

Schedule E

Availability Formulas One and Two

Formula One (Committed Unit Hours):

[(# of Accepted Units) x (2080 hours)] – UH1 = Summer Availability > 95%
[(# of Accepted Units) x (2080 hours)] – SD1

UH1 = Sum of Peak Hours That Any Accepted Unit is Unavailable Prior to Delivery of the Product of 1000 Unit Hours Multiplied by Number of Accepted Units

SD1 = Sum of Scheduled Unit Outages for any Peak Hour Prior to Delivery of the Product of 1000 Unit Hours Multiplied by Number of Accepted Units

[(# of Accepted Units) x (Peak Hours per Summer month)] – UH1M = Summer Monthly Availability > 95%
[(# of Accepted Units) x (Peak Hours per Summer month)] – SD1M

UH1M = Sum of Peak Hours in such Month That Any Accepted Unit is Unavailable Prior to Delivery of the Product of 1000 Unit Hours Multiplied by Number of Accepted Units for all Summer Months through such Month

SD1M = Sum of Scheduled Unit Outages for any Peak Hour in such Month Prior to Delivery of the Product of 1000 Unit Hours Multiplied by Number of Accepted Units for all Summer Months through such Month

Formula Two (Additional Unit Hours):

[(# of Accepted Units) x (8760 - 1000 hours)] – (UH2 - UH1) = Annual Availability > 95%
[(# of Accepted Units) x (8760 - 1000 hours)] – (SD2 - SD1)

UH2 = Sum of Option Period Hours That Any Accepted Unit is Unavailable

SD2 = Sum of Scheduled Unit Outage Hours for any Option Period

[(# of Accepted Units) x (# of Hours per month)] – (UH2M - UH1M) = Monthly Availability (Additional Unit Hours) > 95%
[(# of Accepted Units) x (# of Hours per month)] – (SD2M - SD1M)

UH2M = Sum of Hours in such Month That Any Accepted Unit is Unavailable

SD2M = Sum of Scheduled Unit Outages for any Hour in such Month

Notes:

1. Hours in which any Unit is unavailable due to Force Majeure are subtracted from the numerator and denominator in both Formula One and Formula Two.

2. Formula Two, when applied to the availability adjustments for the first Summer Availability Period under Sections 5.1(d)(ii)(A) and (B), shall only apply to the Peak Hours of the 5 months of such first Summer Availability Period, as follows:

[(# of Accepted Units) x (2080 - 1000 hours)] – (UH2 - UH1) = Annual Availability > 95%
[(# of Accepted Units) x (2080 - 1000 hours)] – (SD2 - SD1)

Schedule F

TERMINATION AND RELEASE AGREEMENT

THIS TERMINATION AND RELEASE AGREEMENT is dated as of April 13, 2001 (this "Agreement"), by and among the California Independent System Operator, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California ("ISO"), and Alliance Power Incorporated, a corporation organized under the laws of the State of Colorado, ("Owner"), and sets forth the agreement of the Parties relating to those certain Summer Reliability Agreement(s) described in Appendix A attached hereto. Each of the entities shall be referred to individually as “Party” and collectively as “Parties”.

W I T N E S S E T H

WHEREAS, ISO entered into those certain Summer Reliability Agreement(s) described in Appendix A to this Agreement (collectively, the "SRAs") so as to have the ability to provide additional capacity during peak hours of the summer months;

WHEREAS, since entering into the SRAs, circumstances relating to energy supply and prices within the State of California have substantially changed;

WHEREAS, ISO is willing to terminate the SRAs provided the California Department of Water Resources, an agency of the State of California, acting solely under the authority and powers created by AB1-X, codified as Sections 80000 through 80260 of the Water Code, and not under its powers and responsibilities with respect to the State Water Resources Development System (the "Department"), enters into such agreements relating to the generating facilities of the Owner as may be determined advisable by the Department;

WHEREAS, to facilitate the continued availability of capacity contemplated under the SRAs to the inhabitants of the State of California, ISO voluntarily and in its sole discretion determined to allow the Department and Alliance Colton LLC, a limited liability company organized under the laws of the State of California which is affiliated with Owner ("Alliance LLC"), to enter into a new power purchase agreement ("Power Purchase Agreement") with respect to the generating facilities referred to in the SRAs; and

WHEREAS, simultaneously with the execution and delivery of the Power Purchase Agreement, the ISO and the Owner desire to enter into this Agreement to cause the SRAs to be mutually terminated and the ISO and the Owner to be released from all rights and obligations related to the SRAs;

NOW THEREFORE, in consideration of the foregoing, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. Termination of SRAs. ISO and the Owner hereby mutually agree to terminate the previously executed and delivered SRAs upon execution and delivery of the Power Purchase Agreement, which is anticipated to be dated as of the date hereof, between the Department and Alliance LLC (notice of which, executed by both the Department and the Owner, shall be provided to the ISO). Except as set forth in Paragraph 3 below relating to the return of the Owner's performance deposit under the SRAs and the related release, upon effectiveness of this Agreement, ISO and the Owner further agree that neither Party will assert any claims, losses or damages arising or resulting from, or as a result of such termination of, the SRAs with respect to themselves or the Department.

2. No Effect on Other ISO Requirements. ISO and the Owner hereby acknowledge that ISO and Alliance LLC have entered into certain other agreements with the ISO that may include, but are not limited to, the Participating Generator Agreement and the Meter Service Agreement for ISO Metered Entities relating to the generating facilities referred to in the SRAs. ISO and the Owner agree that the termination of the SRAs shall not cause these agreements to be terminated. The Owner hereby acknowledges and agrees that Alliance LLC must fulfill contractual, metering and interconnection requirements set forth in the ISO Tariff and the implementing ISO standards and requirements, including but not limited to executing applicable ISO agreements, to be able to deliver energy to the ISO Controlled Grid and that the termination of the SRAs does not change those requirements nor relieve Alliance LLC of the obligation to satisfy such requirements.

3. Return of Performance Deposit. At the time of execution and delivery of the SRAs, the Owner caused the performance deposit in an amount equal to $144,000 to be deposited in an escrow account held by ISO. ISO has agreed to return such deposited amount to the Owner upon the Effective Date (as defined in Paragraph 4 below) of this Agreement. Accordingly, within ten (10) business days after the Effective Date, ISO will cause $146,269.63, consisting of the initial deposit amount and the accrued interest in the amount of $2,269.63 accrued to April 13, 2001, to be repaid to the Owner.

The Owner and ISO agree that such repayment obligation of the performance deposit shall be the only remaining obligation of ISO under the SRAs and the Owner will not hold the Department responsible for any portion of such repayment amount and, further, that ISO and the Owner shall, upon fulfillment of this obligation by ISO, release each other and their respective successors, agents, attorneys, assigns, partners, shareholders, employees and insurers fully from any and all actions, causes of actions, suits, claims, liens, demands, damages, controversies and liabilities of any kind whatsoever (upon any legal or equitable theory, whether contractual, common law, statutory, federal, state or otherwise), whether known or unknown, suspected or unsuspected, anticipated or unanticipated, which they now have, ever had or hereafter may have or claim to have against the other, which were alleged or could have been alleged, are or may be based in whole or in part upon, or do or may arise out of, or are or may be related to or in any way connected with the SRAs.

It is the intention of the Parties that the foregoing release shall be a final accord and satisfaction and release of all of the Parties' claims, demands and contentions relating to the SRAs. The Parties recognize and execute this Agreement with full knowledge that circumstances and facts may be discovered in the future which relate to the subject of this Agreement, which circumstances and facts are not known presently and which, if known, might have affected their willingness to enter this Agreement. Despite this potential, the Parties agree this Agreement applies with equal force to any claims based upon such circumstances or facts and specifically waive any rights which might otherwise arise under Civil Code section 1542, which provides as follows:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

This Agreement is intended additionally to waive any rights substantially similar in effect to Civil Code section 1542.

4. Effective Date. This Agreement will become effective upon its execution by the Parties hereto; provided, however, that this Agreement shall not become effective prior to the date that the Power Purchase Agreement has been executed and delivered by the Department and Alliance LLC ("Effective Date"). If determined necessary by the ISO, ISO may file a notice of termination of the SRAs with the Federal Energy Regulatory Commission for informational purposes or pursuant to the regulations contained in 18 C.F.R. Section 35.15 entitled "Notice of Cancellation or Termination."

5. Governing Laws. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to any conflict of laws principles. The Parties hereto consent to the jurisdiction of the courts of the State of California in all matters pertaining to this Agreement, and agree that any legal action or proceeding arising under or related to this Agreement shall be subject to the ISO ADR Procedures set forth in Section 13 of the ISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the ISO Tariff to Market Participants shall be read as a reference to Owner and references to the ISO Tariff shall be read as references to this Agreement.

6. Counterparts. This Agreement may be executed in one or more counterparts at different times, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same agreement.

7. Definitions. Capitalized terms used herein and not otherwise defined herein have the respective meanings given in the SRAs.

IN WITNESS WHEREOF, ISO and Owner, have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

CALIFORNIA INDEPENDENT SYSTEM

OPERATOR CORPORATION

By: _____

Name:

Title:

ALLIANCE POWER INCORPORATED,

a Colorado corporation

By: _____

Name:

Title:

TERMINATION AND RELEASE AGREEMENT

APPENDIX A

LIST OF AFFECTED SUMMER RELIABILITY AGREEMENTS

1. Summer Reliability Agreement, dated as of November 21, 2000, between Alliance Power Incorporated and California Independent System Operator Corporation, for the SCE Service Territory.

2. Summer Reliability Agreement, dated as of November 21, 2000, between Alliance Power Incorporated and California Independent System Operator Corporation, for the Vista Site.